STATE OF TENNESSEE

ONE-YEAR ACTION PLAN ON THE HOUSING AND COMMUNITY DEVELOPMENT CONSOLIDATED PLAN

FISCAL YEAR 2002

JULY 1, 2002 – JUNE 30, 2003

DESCRIPTION OF RESOURCES EXPECTED TO BE MADE AVAILABLE

I. HUD Resources Required Under Consolidated Planning

A. Community Development Block Grant (CDBG) Small Cities Program

The State of Tennessee, through the Department of Economic and Community Development, administers the Small Cities program for all those jurisdictions not designated by HUD as entitlement. In Tennessee thirteen cities and/or counties are designated as entitlement to receive direct CDBG funding. During Fiscal Year 2002-2003, the State of Tennessee will receive $31,570,000 in CDBG Small Cities funds from HUD and anticipates receiving approximately $3,000,000 in program income, for a total of $34,570,000 that will be made available through a competitive application process.

B. HOME Investments Partnership (HOME)

The State of Tennessee, through the Community Programs Division of Tennessee Housing Development Agency (THDA), administers the HOME program primarily for those jurisdictions in the State not designated as Participating Jurisdictions (PJ) by HUD to carry out multi-year affordable housing strategies. For Fiscal Year 2002-2003, there will be eight local PJs, and THDA will administer the program for the remainder of the State. During Fiscal Year 2002-2003, the State of Tennessee will receive $16,705,000 in HOME funds from HUD. Funds will be made available on a competitive basis to local governments, public agencies, and private, nonprofit organizations.

C. Emergency Shelter Grants (ESG)

The State of Tennessee, through the Department of Human Services, administers the ESG program providing funding to local governments and nonprofit service providers to assist homeless persons in Tennessee. During Fiscal Year 2002-2003, the State will receive $1,315,000 in ESG funds. The State will make these funds available to local government and nonprofit service providers on a competitive basis.

D. Housing Opportunities for Persons with AIDS (HOPWA)

The Tennessee Department of Health administers the HOPWA program which provides funds to nonprofit service providers to assist HIV-infected individuals and their family members threatened with homelessness. The State provides funding to the balance of state, excluding two entitlement cities which receive funding directly from HUD. In Fiscal Year 2002-2003, the State of Tennessee will receive $694,000 in HOPWA funds from HUD and may recapture and reallocate unused funds from prior grant years if such funds are made available. Both grant and any recaptured funds will be made available on a formula basis to service providers in six regions of the State covering all counties not covered by the HOPWA entitlements.

II. Other Federal Resources to be Made Available

A. HUD Section 8 Tenant-Based and Project-Based Assistance Programs

The State of Tennessee, Tennessee Housing Development Agency, administers both Section 8 Rental Assistance and Section 8 Contract Administration. The Rental Assistance Division of THDA, which administers the Section 8 Tenant-Based Rental Assistance program, is authorized to operate in all 95 counties in Tennessee. During Fiscal Year 2002-2003, it is anticipated that approximately $28,000,000 will be made available for this program. The Contract Administration Division of THDA, which administers Section 8 Project Based contracts, is responsible for the monthly Housing Assistance Payments (HAP) to Section 8 properties throughout the state.

B. Low Income Housing Tax Credit Program (LIHTC)

The State, through Tennessee Housing Development Agency, administers the Low- Income Housing Tax Credit (LIHTC) program, which is authorized under Section 42 of the Internal Revenue Code, as amended. The program offers owners of and investors in low-income rental housing a reduction in federal income tax liability over a period of ten years. The Internal Revenue Service allocates tax credit authority to states on a calendar year basis. The State of Tennessee anticipates receiving approximately $10,000,000 in tax credit authority in calendar year 2002 to be issued to nonprofit and for-profit developers of low-income housing.

III. Other Non-Federal Resources Expected to be Made Available

A. THDA Homeownership Programs

The State of Tennessee, through the Homeownership Division of Tennessee Housing Development Agency, administers homeownership programs designed to provide opportunities for low- and moderate-income persons to purchase their first home. Funds are made available through the issuance of tax-exempt mortgage revenue bonds. Each program requires limitations on eligibility based on household income and acquisition costs.

THDA is not a direct lender to borrowers but works with approximately 130 approved mortgage lenders across the State to originate the loans. THDA either provides funds to approved mortgage lenders to close pre-approved THDA loans, or purchases pre-approved loans from the lenders after the loans are closed. During Fiscal Year 2002-2003, THDA anticipates that approximately **$**210,000,000 in mortgage proceeds will be available for this program.

METHOD OF DISTRIBUTION OF FUNDS

This One-Year Action Plan includes the HUD table entitled "Method of Distribution Table for State Projects." The table is at the end of this section and shows the categories for distributing HUD funds received by the State to eligible recipients. The following narrative explains the distribution and application process in greater detail.

Method of Distribution of Funds and Program Description
Community Development Block Grant (CDBG) Program

I. Introduction

The State of Tennessee has been allocated $31,570,000 in CDBG funds for Fiscal Year 2002. In addition, the State anticipates receipt of approximately $3,000,000 in program income for a total operating budget of $34,570,000. The purpose of this section is to describe the method of distribution of small cities Community Development Block Grant (CDBG) funds within Tennessee for meeting housing and community development policies and objectives during Fiscal Year 2002. This section will describe all criteria used to select applications for funding, including the relative importance of the criteria. This section will also describe how CDBG funds will be allocated among all funding categories, any threshold factors, and grant size limits.

II. National Objectives

The federal authorizing legislation for the CDBG program requires that the program activities be used to accomplish at least one of three national objectives, these being:

A. Activities benefiting low and moderate income (LMI) persons;

B. Activities which aid in the prevention or elimination of slums or blight;

C. Activities designed to meet community development needs having a particular urgency. These have been defined as activities designed to alleviate existing conditions that pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, that the recipient is unable to finance the activity on its own, and that other sources of funding are not available. This condition is sometimes called an "imminent threat".

III. Community Development Objectives

The objectives of the Tennessee CDBG program are the following:

A. Human Resources Development - to develop a human resource base that is healthy and capable of working at full capacity and that has the skills and education that enable them to do so.

B. Physical Infrastructure Development - to create the base of infrastructure that will provide for a high quality of life for individuals and productive capacity for communities.

C. Job Opportunity Development - to implement programs that will create a climate that is receptive to and encourages the growth of private sector jobs.

D. Target on Economic Distress - to deliver community development programs in a manner that provides maximum assistance not only to economically disadvantaged individuals, but also to economically disadvantaged areas of the state.

E. Maximize Grantees - to use the resources available to the state in a manner which will maximize the number of grantees and, therefore, beneficiaries of the programs.

IV. Eligible Recipients of Funds

Eligible applicants shall be city and county governments in Tennessee, except those cities of over 50,000 population and all principal cities of Metropolitan Statistical Areas (MSA). Local governments excluded from the state-administered CDBG program include: the cities of Bristol, Chattanooga, Clarksville, Jackson, Johnson City, Kingsport, Knoxville, Memphis, Murfreesboro, Oak Ridge, the Metropolitan Government of Nashville-Davidson County, and the counties of Knox and Shelby.

V. Eligible Activities

Local governments may undertake a wide range of activities under the CDBG program. Eligible activities include:

A. Acquisition of real property;

B. Acquisition, construction, reconstruction, or installation of public works facilities (except for buildings for the general conduct of government), and site or other improvements;

C. Code enforcement in deteriorated or deteriorating areas;

D. Clearance, demolition, removal, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements;

E. Disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to Title I or its retention for public purposes;

F. Special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;

G. Payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by activities under Title I;

H. Provisions of public services;

I. Payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of activities under Title I;

J. Payment of the cost of completing a project funded under Title I of the Housing Act of 1949;

K. Relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations, when determined by the grantee to be appropriate;

L. Activities necessary to develop a comprehensive community development plan;

M. Payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities;

N. Activities which are carried out by public or private non-profit entities;

O. Assistance to neighborhood-based non-profit organizations, local development corporations, or entities organized under Section 301(d) of the Small Business Investment Act of 1958;

P. Activities necessary to the development of a comprehensive community-wide energy use strategy;

Q. Provision of assistance to private, for-profit entities, when the assistance is necessary or appropriate to carry out an economic development project;

R. Rehabilitation or development of housing assistance under Section 17 of the United States Housing Act of 1937;

S. Provision of assistance to facilitate substantial reconstruction of housing owned and occupied by LMI persons (1) where the need for the reconstruction was not determinable until after rehabilitation had already commenced, or (2) where the reconstruction is part of a neighborhood rehabilitation effort and the grantee (a) determines the housing is not suitable for rehabilitation, and (b) demonstrates that the cost of substantial reconstruction is significantly less than the cost of new construction and less than the fair market value of the property after substantial reconstruction;

T. Assistance for the development, establishment, and operation for not to exceed two years after its establishment of a uniform emergency telephone number system if: (1) such system will contribute substantially to the safety of the residents of the area served by such system, (2) not less than 51 percent of the use of the system will be by persons of low and moderate income, and (3) other Federal funds received by the grantee are not available for the development, establishment, and operation of such system due to the insufficiency of the amount of such funds, the restrictions of the use of such funds, or the prior commitment of such funds for other purposes by the grantee;

U. Homeownership assistance.

VI. Grant Categories

For Fiscal Year 2002, applicants may apply for funding under four different program categories: Economic Development, Community Livability, Water/Sewer, and Housing Rehabilitation.

<u>Economic Development</u> projects include activities where a majority of funds are used to promote the creation or retention of jobs and enhance income through industrial locations and expansions where the funds are used as loans, and also to provide needed infrastructure to industries where funds are used as grants.

<u>Water/Sewer</u> project funds will be targeted at improving and extending water and sewer line systems, expanding water and wastewater treatment plant capacities, and addressing conditions detrimental to health, safety, or public welfare.

<u>Housing Rehabilitation</u> funds are targeted in communities with areas of substandard or dilapidated housing and community facilities in LMI neighborhoods.

<u>Community Livability</u> projects are activities designed to provide other community development services, particularly to benefit persons of low and moderate income.

<u>Set-Aside</u> funds may be used for projects with high project need scores but with other scores so low that the project did not rank high enough to be funded.

All funds awarded under the categories of Community Livability, Water/Sewer, and Housing Rehabilitation qualifying under the LMI objective must be spent in LMI target areas identified by the applicant unless the community is 100 percent eligible (51% or more LMI).

VII. Funding Levels

Shown below are the CDBG allocation and funding categories for Federal fiscal year 2002.

Acquisition	280,000
Public Facilities	25,806,600
Clearance/Demolition	52,000
Relocation	550,000
Housing Rehabilitation	1,500,000
Economic Development For-Profits	3,000,000
Project Administration - Local Governments	1,650,000
General Administration - State Government	731,400
Set-Aside Funds	1,000,000
TOTAL	$ 34,570,000

The Set-Aside is designed to permit funding for meritorious community livability, water, sewer, solid waste, or housing rehabilitation projects (those with high project need scores) but where other scores in the selection criteria are low and the total points earned are lower than required for funding. Set-Aside projects must meet all program requirements. Funds not utilized from the Set-Aside will be returned to other categories.

If approvable projects are not available in Economic Development in sufficient quantities to utilize the target allocation, the amounts not so utilized will be allocated to the other categories. A 50 percent reduction in any category will also be permitted to facilitate proper program management and allow administrative flexibility, and the funds so reduced shall be allocated to other categories.

For all years, program recoveries of both recaptured and reallocated funds shall be re-appropriated to any categories and distributed in accordance with the 2002 Final Statement.

If additional funds become available, they will be allocated using the same percentages outlined above, with the State reserving the right to apply this 50 percent flexibility to any of the categories.

Under certain circumstances, the State may increase funding on economic development projects previously funded in order to protect the State's investment in the project.

Where grants to local governments are loaned to private for-profit business, the State requires loan repayments. These repayments will be returned to the State and will be used for CDBG eligible activities. Up to 2 percent of this program income can be used by the State for administration. In the event that program income is generated in a non-economic development project, the income will remain at the local level to be used for the same activity.

VIII. Project Eligibility Criteria for Community Development Projects in the Annual Competition

A. Grant categories in the annual competition are the following:
1. Water/Sewer;
2. Housing Rehabilitation;
3. Community Livability.

B. Applications are due in the Program Management Office on February 8, 2002**.** If hand-delivered to the office, they must be brought in no later than February 8, 2002, 4:30 p.m. (CST). A postmark of February 8, 2002 is not acceptable. They must be in the program management office on February 8, 2002. Applications should be complete as no additional required application material will be accepted after the deadline. However, additional information may be requested.

C. All projects through 2001 must have their final request for payment including supporting documentation, budget revisions and change orders to ECD by February 1, 2002. Appalachian Regional Commission (ARC) funds included in a CDBG project will also count in the drawdown. The economic development projects will not count against the draw down restrictions.

All monitoring findings for previous projects must be cleared and closeout reports submitted before another contract is issued.

D. Only one application may be submitted by each governmental unit.

E. The level of CDBG assistance for individual projects shall be limited by the following factors:

1. The grant ceiling for all applicants is $500,000, Except for the following: Economic development projects may exceed $500,000 but not be more than $750,000 provided the county meets the special enhancement county criteria as described in part IX of this section.
2. Community livability projects have a maximum grant of $300,000.
3. Maximum grants to any applicant of $750,000 in two successive years, except for economic development projects.
4. The grantee's ability-to-pay (see Section XII for a description of ability-to-pay).
5. Higher grant levels (up to $1,000,000) may be approved for regional projects.

F. Funds are not available to cover cost overruns. Estimate project costs carefully.

G. Local governments are required to hold two public meetings. These meetings must be advertised in the local newspaper at least one week prior to the date of the meeting. The advertisement must contain a statement of nondiscrimination and the name of a contact person for special accommodation required for persons with disabilities. All meeting places must be accessible to persons with disabilities.

The first meeting is designed to solicit information about community needs and how CDBG funds can best address those needs. Communities are required to present information about how much money is available, what kinds of projects are being considered, and what activities are eligible. To ensure compliance with Title VI of the Civil Rights Act of 1964, applicants must make an additional effort to secure minority participation in this process.

The second meeting occurs after the project is completed and is to discuss the accomplishments of the project.

H. The target area survey documenting the low- and moderate-income benefit must be random in order to have an eligible application under the LMI National Objective. Surveys conducted for 2000 and 2001 applications are acceptable for system wide projects. They must be compared to the new LMI threshold figures. Water line, sewer lines and housing projects can use the surveys conducted for 2000 applications if it is the exact application and no changes in the target area are proposed. The ECD form and randomness information distributed at the Application Workshop must be used. If another survey method is not specifically discussed in the survey procedure information presented in the application packet, please call Paula Lovett to discuss the survey method being proposed. Survey methods that are not described in the application information or are not pre-approved by Program Management may be considered unacceptable for the application process.

Census data is acceptable. It may be obtained from Program Management.

The LMI threshold figures dated March 29, 2001 must be used to determine LMI%. These figures were distributed at the public hearings and at the Application Workshop. Additional copies may be obtained from Program Management. Appropriate response rates for communities/target areas are in the application package. A 100% survey is required for line extension projects.

I. Multi-target areas (line extension projects) must each meet the 51% LMI threshold.

J. For line extension projects where a household indicates that they do not want the service, that household should not be calculated as a beneficiary. The house should be shown on the map and on the Map/Survey Form. Please code it as a household that does not want the service.

K. The target area survey should be used to calculate target area per capita income for the community-need score. Instructions for calculating per capita income from the target area survey were explained at the Application Workshop and are included in the application.

L. To submit a project under the national objective of Slums/Blight on an area basis, an activity must meet all of the following criteria:

1. The area must be designated by the grantee and must meet a definition of a slum, blighted, deteriorated or deteriorating area under State or local law;
2. There must be a substantial number of deteriorated or deteriorating buildings or public improvements throughout the area. As a "safe harbor," ECD will consider this criteria to have been met if either of the following conditions prevail in the area:

    a. If State law does not specifically indicate the percentage of deteriorated or deteriorating buildings required to qualify the area, then at least one quarter of all the buildings in the area must be in a state of deterioration; or,

    b. Public improvements throughout the area are in a general state of deterioration.

    It is insufficient for only one type of public improvement, such as a sewer system, to be in a state of deterioration; rather, the public improvements taken as a whole must clearly exhibit signs of deterioration.

3. Documentation must be maintained by the grantee on the boundaries of the area and the condition that qualified the area at the time of its designation;
4. The activity must address one or more of the conditions that contributed to the deterioration of the area.

If submitting a project under Slums/Blight, this information should be submitted to ECD by December 3, 2001, so that, if Slums/Blight is not approved, sufficient time remains to complete a target area survey.

M. To submit a project under the national objective of urgent need (or imminent threat), the following information must be provided:

1. Nature of problem/documentation;
2. How long problem has existed;
3. Explanation of why this problem is now so critical;
4. Any previous measures undertaken to correct problem;
5. Alternatives;
6. Projected date that problem must be corrected;
7. Why local and other funds are not available to correct the problem.

Imminent threat problems must be unique, unforeseen, and have developed to a critical stage in the last 18 months. Its continuation must represent a serious threat of loss of life.

The information will be reviewed and a determination will be made as to whether it meets the imminent threat national objective. A written determination will be provided.

Imminent threat projects will be received at any time. Threshold requirements will not count against the submittal of an application.

N. Line Extension Projects

1. A 100 percent survey is required including owners and current tenants of rental houses in the target area.
2. All low and moderate income households must be provided free water/ sewer service. This includes tap fees, service lines and connection charges.
3. If the property is rental and the homeowner is low and moderate- income then free service lines, taps and connections must be provided. The renter counts as the beneficiary.
4. If the property is rental and the property owner is high income and pays for the service, then the renter can be counted as the beneficiary.
5. People who only live in their house seasonally and receive service will count as a beneficiary. A survey or household verification form must be on file for them.
6. If the seasonal homeowner is a low and moderate-income person, they are still entitled to free service. This includes tap fees, service lines and connection charges.
7. If a household does not request the service, do not count as beneficiaries. If hook-up to the sewer system is mandatory, include a signed statement from the chief elected official plus a copy of the local ordinance and count all as beneficiaries.
8. Dry taps for purposes other than household use are not counted as beneficiaries. Dry taps for LMI are not paid for by CDBG funds.
9. The service must be run to the interior of the house, and must be utilized for domestic purposes. If service is not in the house, then they are not counted as beneficiaries.
10. If the service lines and connection charges are to be part of the construction bid then they must be included on the bid form.
11. If the service lines and connection charges for LMI are not going to be part of the construction bid, then approval from ECD must be obtained for the method of installation.

O. Water Line Extensions

1. All water quality sample collections for bacteria and minerals must be done by a qualified person. A qualified person is defined as anyone certified by the Tennessee Department of Environment and Conservation Board of Certification as a water operator, a local environmental specialist or a person employed by a water utility that has at least one year of experience in collecting water samples. A letter from the person collecting the water quality samples must include:

   a. Number of samples collected for bacteria and/or mineral testing;
   b. Date collected;
   c. Date delivered to lab;
   d. Name of testing lab;
   e. Signature and title of sample collector.
   f. License Number

2. The samples must be sent to the lab within 24 hours of collection.
3. All water quality testing must be done by a State approved lab. A list of approved labs is available from Program Management and was distributed at the Application Workshop.
4. If the collection and testing for bacteria and minerals are not done by a qualified person and approved lab, the applicant will receive zero points in project need in the water category for bacteria and minerals.
5. Requirement for the maximum number of mineral tests is 10% of the number of houses in the target area. The minimum sampling is 2% of the houses in the target area. The tests must be random within the target area.
6. Requirements for the maximum number of bacteria tests is 35% of the number of houses in the target area. The minimum sampling is 10% of the houses in the target area. The tests must be random within the target area.
7. If your project involves a supply problem, then questions 15 and 16 of the target area survey must be completed.
8. The applicant will receive zero points in project need in the water category for bacteria and minerals if the test results are not submitted with the application on February 8, 2002**.**
9. Sampling must be random or applicant will receive zero (0) project need points.
10. Test results completed for 2001 applications are acceptable. Test results older than a year will not be acceptable.
11. Bacteria sampling must occur at the house.
12. Mineral sampling must occur at the source.
13. You must choose <u>one</u> problem to document for the project.

P. For water distribution projects documenting inadequate pressure, project need will be evaluated in terms of the percentage of residential hookups with measured pressures below 20 PSI. All pressure readings must be taken by a qualified person (as defined in 16a) or an engineer. The readings must be made at residential meters and recorded in static readings. The tests must be random within the target area or system. A letter from the person conducting the pressure readings must include:

1. Address, date, and time of each pressure reading;
2. Statement that pressure readings were taken under normal system operating conditions;
3. Signature, title, and if certified, the certification status including license number of person conducting the pressure readings.

Q. Sewer Line Projects: The testing for septic tank failure rates for sewer line extension projects must be done by the Tennessee Department of Environment and Conservation. TDEC have requested that they be given at least two months in which to do the test. It must be a 100 percent survey and form RDA 2403 (formerly PH-2241) must be used. Use the RDA 2403 form handed out at the application workshop. Gray water alone does not count as a failure. If the community has a sewer use ordinance, it should be included in the application appendix along with written assurance from the chief elected official that the ordinance is and will be enforced.

Community sewer system projects must be listed on the TN. Dept. of Environment and Conservation, Division of Community Service 2001-2002 priority list. Requests should be submitted to that department no later than January 4, 2002, to meet the CDBG deadline. For more information contact the Tenn. Department Environment and Conservation, Division of Community Services, 401 Church Street, Nashville, Tenn. 37243-1533, 615-532-0445. CDBG applicants in the sewer category not listed on the TDEC priority list receive NO project need points.

R. Housing Rehabilitation

1. In order for an application to be considered under "Housing," all activities in the application should be directly related to housing.
2. CDBG funds will be limited to the renovation of owner occupied dwellings.
3. CDBG funds will be limited to grants.
4. CDBG funds used for rehabilitation will be dispersed only through competitive bids to private contractors, not through force account city work.
5. The CDBG program is not to be used primarily as a new construction program or a relocation program. New construction should be minimal.

S. Appropriate Applicant

1. A county may apply for any project within the county.
2. City applicants must provide the services or have a majority of the beneficiaries.

The objective is that the applicant should bear some logical relationship to the service area. If the project deviates from 1 or 2, contact Program Management for a determination of eligibility.

IX. Project Eligibility Criteria for Economic Development Projects

A. The only purpose of the CDBG economic development program is to generate employment opportunities for Low-Moderate Income persons. Each application must contain a commitment by a private business that it will locate or expand as a result of the CDBG assistance, and that at least 51 percent of the jobs to be created or retained will be taken by LMI persons.

B. Only basic-type economic activities will be supported. These are businesses which export more than half of their products or services outside of Tennessee, generating income that supports the growth of the non-basic sector (retail, local services, etc.). Manufacturing is the classic basic economic activity, but businesses other than manufacturing will be considered if they can meet the test for a basic economic activity.

C. Applications are reviewed on a first-come, first-serve basis and need not be submitted on any particular date. *Applications submitted must be complete.* Incomplete applications will be returned to the applicant community with a copy of the transmittal letter to the company and the application preparer. Once the complete application is received, it will be reviewed as a new application and will not assume its former position in the order of review.

D. Local governments are required to hold two public meetings. The first meeting, which must be advertised in a local public paper at least one week prior to the date of the meeting, is designed to solicit information about the community needs and how CDBG funds can best be used to address these needs. Communities are required to present information about how much money is available, what type of projects are being considered, and what activities are eligible. After the grant is awarded, a second public hearing must be held to discuss the impact/accomplishments of the project.

E. The maximum loan or grant any community/company may receive is $500,000, except in Special Enhancement Communities which meet threshold tests for income, unemployment, and poverty and therefore may receive up to $750,000. The amount of financing is negotiated with the company and is usually less than the maximum amounts available depending on the location of the project. The maximum term of a loan for equipment is seven years for any project. Special economic development incentives are provided for economically depressed counties. These are increasing the loan amount limits, extending the term of industrial buildings, and reducing the interest rates in economically depressed counties. Special Enhancement Counties (SEC) are those which are among the worst 10 counties for unemployment, income, or poverty. The Commissioner of Economic and Community Development may designate additional counties as SEC if they exhibit substantial characteristics of economic distress such as major loss of employment, recent high unemployment rates, traditionally low levels of family incomes, high levels of poverty, and high concentrations of employment in declining industries.

F. All federal requirements that apply to the community development projects in the annual competition apply to the economic development program.

G. Interest rates have been established which fluctuate as the prime rate fluctuates. The prime rate will be established quarterly on the first day of the following months: January, April, July and October as quoted in the Wall Street Journal. The base prime rate will be for the quarter in which the loan is awarded. Once the base prime rate is established, it will be in effect for the life of the loan. The only adjustments to the loan's interest rate will be the adjustment made every five years, but this will not change the base rate set at the time the loan was awarded, only the points below the set prime rate.

PROVISION	Enhancement Counties	Other Counties
Maximum Loan/Grant	$750,000	$500,000
Maximum Term on Building	20 Years	15 Years
Maximum Term on Equipment	7 Years	7 Years
Minimum Interest Rate:		
Years 1-5	5 PBP	3 PBP
Years 6-10	4 PBP	2 PBP
Years 11-20	3 PBP	1 PBP
PBP means percentage points below prime.		

NOTE: In no case shall the effective rate of interest charged on CDBG loans be less than 1 percent.

H. Applicants for start-up funding must have 20 percent equity and at least 30 percent of project financing must come from private sources. Any start-up applicant must have not only adequate working capital based on reasonable project success, but the potential for a second line of working capital should business conditions require it. Applications for start-up businesses will take approximately one month longer than other applications to review and make recommendations.

I. A pre-application meeting is required for all economic development projects. This is to provide advice and give companies and communities the opportunity to ask questions.

J. Companies applying for CDBG loan assistance must demonstrate their ability to ensure loan repayment. The state will determine the adequacy of public benefit by comparing the amount of loan funds requested, the number of jobs being generated, and the economic conditions in the country in which the loan will be made.

X. Project Selection Criteria for Community Development Projects in the Annual Competition

A. The allocation of funds for community development projects in the annual competition will be on a competitive basis because the demand for funds far exceeds the amounts available. ECD will utilize an annual grant cycle for Community Livability, Water/Sewer and Housing Rehabilitation grants. Units of local government will submit applications to ECD by the aforementioned deadline using the CDBG application package made available to them.

Selection Criteria for projects in the annual competition shall be objective and quantitative, and shall be based on project need, project feasibility, project impact, community need and project essentialness (for Community Livability only).

Points for projects in the annual competition in various categories will be rated by staff evaluation with maximum points as shown below:

	Community Need	Project Need	Project Feasibility	Project Impact	Project Essentialness
Water, Sewer, Solid Waste	100	100	Threshold	100	0
Community Livability	100	50	50	50	100
Housing Rehabilitation	100	50	50	50	0

The points for each criteria (community need, project need, etc.) will be totaled and the individual projects will be ranked from highest to lowest based on the total number of points earned. Projects in one category will not compete against projects in another category (water/sewer projects will not compete in the housing category). Projects will be approved in each category based on the total number of points earned, subject to the amount of money allocated to that category.

The selection criteria for Set-Aside projects will not be quantitative. The Set-Aside category was established to allow the state the flexibility to address situations where the selection criteria failed to operate as envisioned, and meritorious projects did not score enough total points to be approved. Therefore, the approval of Set-Aside projects must necessarily be subjective. Nevertheless, there are certain factors that will be considered when approving projects under the Set-Aside category.

In addition, applications which were designated as three Star Communities will receive one additional point in the competition.
Principal among these is the following:

- The project need points earned;
- The ability of the applicant to finance the project locally;
- The potential loss of other funding that has been committed;
- The number and percentage of LMI residents.

Project application materials will be supplemented, as appropriate, by site visits and by informed opinions of state agencies knowledgeable about particular projects.

B. Imminent threat projects (those meeting the national objective of imminent threat) will be automatically approved if all selection criteria and thresholds are met. Applications are accepted any time.

C. Community Need Points

Community need is a measure of economic distress based on unemployment and income, and is calculated as follows:

- Latest annual county unemployment rate
- Target area per capita income
- 1992-01 average county unemployment rate
- 1989 per capita income

D. Project Need Points

Project need points measure the degree to which there is a need for the project (no existing facilities or existing facilities are inadequate). Because of the different types of projects, project need points must be structured differently for different types of projects. Listed below are the methods of calculating project need points for water, wastewater, and community livability projects.

1. Water Line Extensions

Project need for water line extensions relates to deficiencies with private sources (wells, springs, etc.) and is based upon a) water quantity problems which are measured by days of water shortage or b) water quality problems as measured by bacteria content or c) water quality problems as measured by mineral content. Water testing is required to document bacteria and mineral problems.

2. Water Treatment Plants

Project need for water treatment plants is based on the ability of the existing plant to provide the quantity and quality of water required to meet customer needs and standards of TDEC. Quantity problems are evaluated based on the percent of the existing capacity being utilized. Quality problems are evaluated by engineers in TDEC.

3. Water Distribution Facilities

Water distribution problems relate to deficiencies in existing distribution facilities and are based upon a) lack of water storage, b) pressure problems, c) water loss. The adequacy of storage is measured against TDEC's requirement for storage capacity equal to 24 hours average usage. Pressure problems are documented by pressure tests. Water loss is calculated based on the difference between water produced and water sold.

4. Water Source Development

Water source problems are documented by the ability of the current source to meet projected demands for quantity or quality of water.

5. Sewer System Projects

Sewer system projects are those eligible for Federal funding from the Environmental Protection Agency (EPA). The CDBG evaluation system is based upon the points assigned by the TDEC for the EPA priority list plus 100 points for new treatment plants, SAWS and innovative alternatives, 75 points for sewer plant rehabilitation, upgrade, and/or additional plant, 50 points for line rehabilitation, and 25 points for interceptors.

6. Sewer Line Extensions

Project need for sewer line extensions is based upon septic tank failure rates. Testing of all septic tanks in the target area is required. Gray water problems alone do not count as septic tank failures.

7. Community Livability

Project need points for community livability projects are subjective because of the wide variety of projects that may be submitted under the community livability category. Project need points reflect the degree to which there is a need for the project. The adequacy of documentation to substantiate the nature and magnitude of the problem is very important.

8. Housing Rehabilitation

Project need points for housing applications will be based on two factors as follows:

a. Percent of substandard houses to be rehabilitated with CDBG funds in the target area;
b. Percentage of residents who are 62 years of age or above, and/or female head of household, and/or handicapped.

E. Project Feasibility

1. Water/Sewer

Project feasibility for water and sewer projects is a threshold. All projects will be reviewed for technical feasibility by the Department of Environment and Conservation engineers. If they do not meet this threshold, they will not be allowed to compete for funding.

2. Community Livability

Project feasibility points for community livability projects will be based upon the following considerations:

a. Quality of design compared to accepted standards;
b. Cost effectiveness, designed to create greatest benefit for least cost;
c. Alternatives examined;
d. Adequacy of operating budget;
e. Quality of documentation that the project will solve the problem.

3. Housing Rehabilitation

Project feasibility points for housing applications will be based on the following considerations:

a. A total of 25 points based on an assessment of whether the work proposed in the application can be accomplished with the funds available (including CDBG and other funds);
b. A total of 25 points based on the relative magnitude of the problems identified in each application based on observations made on site visits.

F. Project Impact

1. Water/Sewer

Project impact points for water and sewer projects will be calculated as follows:

a.	CDBG cost per person;	25 Points
b.	CDBG cost per LMI person;	25 Points
c.	LMI percent;	30 Points
d.	Rate factor; Monthly bill 5000 gals. TAS PCI	20 Points
		100 Points

2. Community Livability

Again, because of the variety of community livability projects that may be submitted, the calculation of project impact points must be able to be used for a variety of projects. Therefore, project impact points will be assigned as follows:

a.	CDBG cost per LMI person;	25 Points
b.	CDBG cost per LMI person;	25 Points
		50 Points

3. Housing Rehabilitation

Project impact points for housing applications will be based on the following considerations:

a.	LMI Percentage;	25 Points
b.	Cost per LMI person;	25 Points
		50 Points

G. Project Essentialness

Project essentialness points apply only to community livability projects, and are designed to assess the degree to which the project is essential for the maintenance of safe and tolerable living conditions. Project essentialness points are subjective and are assigned as follows:

1.	Extremely critical - restricted to life threatening situations;	100 Points
2.	Critical - related to solving health and safety problems;	60 Points
3.	Important – improves living conditions, quality of life;	30 Points
4.	Needed – removes inconvenience, improves quantity or quality of public services;	10 Points
5.	Not Needed – does not address current problem	0 Points

XI. Project Selection Process for Economic Development Projects

Unlike the community development projects in the annual competition, it is not possible to use a point system to select economic development projects for funding. Because of this, the economic development program operates very much like a bank, with loan officers gathering as much information about a project as possible, analyzing this information and making a recommendation regarding funding, with the final decision regarding funding being the responsibility of the Department of Economic and Community Development's Loan/Grant Committee.

In making a funding decision on economic development projects, the Loan/Grant Committee shall give consideration to the following:

A. Economic development projects must create jobs. The creation of private investment without the creation of jobs will not qualify a project for CDBG assistance. Of the jobs created, 51 percent must go to individuals who, prior to employment in the assisted business, were classified as having low or moderate income. Subsection I provides additional information regarding public benefit issues related to jobs created compared to CDBG investments.

B. The project costs of activities assisted with CDBG funds must be reasonable. For construction projects, reasonableness will be determined by competitive bidding, including the use of Davis-Bacon wage rates. For the acquisition of equipment, reasonableness will be determined by industry standards. For the acquisition of used equipment, industry standards will be determined through the appraisal of equipment to be purchased, with the asking price of the equipment being compared to the appraisal. For new equipment, industry standards will be based on recent experience with similar equipment. The borrower also has a vested interest in obtaining reasonable costs since the equipment loan must be repaid. The state will retain the final determination of reasonableness which will be based on cost comparison with recently funded similar projects.

C. To the extent practicable, reasonable financial support must be committed for project activities from non-federal sources prior to the disbursement of federal funds.

D. To the extent practicable, any grant funds to be provided for project activities must not substantially reduce the amount of non-federal financial support for the activities.

E. Project activities must be financially feasible. Non-CDBG funds in a project must be sufficient to complete the project as proposed. When an infrastructure grant is involved, the assisted business must demonstrate a high expectation of success and long-term employment of low and moderate income individuals. When a building or equipment loan is involved, the business must demonstrate a high expectation of success and repayment of the federal funds.

F. In determining a high expectation of success which includes the long-term employment of low and moderate income individuals and the repayment of federal funds, the Committee will consider the following:

1. Historical financial statements.

2. Projected financial statements.

3. Dun and Bradstreet and/or business credit reports on the company.

4. Marketing plan.

5. Resumes of management to document operational expertise of the company.

6. Financial strength of the owner(s) of the company, including personal credit bureau reports.

In analyzing the historical and projected financial statements, comparisons are made to industry standards such as those contained in the Robert Morris Associates Annual Statement Studies (including debt to assets, profit to assets, profit to net worth, receivables, inventory, payables, etc.). Significant deviations from industry standards will result in a more in-depth review.

Dun and Bradstreet and business credit bureau reports are reviewed to identify any recent problems the company may have had.

Marketing plans are reviewed to assess current and future customers, and their continued interest in purchasing goods and services from the company.

Management expertise is reviewed to determine the level of experience in the industry and the management skills of who will operate the company.

The financial strength of the owner(s) of the company are assessed to ensure their ability to provide additional funding to the company if necessary. This may include discussion and verification of personal assets with owners' bankers.

G. To the extent practicable, project activities assisted with CDBG funds must not provide more than a reasonable return on investment to the owner. The reasonableness of return on investment will take into consideration industry standards such as those contained in the Robert Morris Associates Annual Statement Studies. Projects which, as a result of the CDBG assistance, will have an unreasonably high return on investment will not be considered for assistance.

H. To the extent practicable, grant amounts used for the costs of project activities will be disbursed on a pro-rata basis with the amounts of other sources.

I. The public benefit provided by the project activities must be appropriate relative to the amount of assistance provided by grant funds. In determining appropriateness, the Committee will consider such factors as the number of jobs being created, the number of jobs being created for low and moderate income individuals, unemployment rates, income levels, poverty rates, recent plant closings, reliance on declining industries, isolation from centers of population and inadequate transportation facilities, labor force characteristics, and the amount of CDBG funds per full time equivalent job to be created or retained. HUD's threshold test of public benefit regardless of location is the creation or retention of at least one full-time equivalent permanent job per $35,000 of CDBG funds used. Historically, Tennessee grants have created one job for each $7,500, and rarely have exceeded one job per $12,000, and the state would expect that trend to continue. There may be exceptional cases, however, where it is appropriate for the cost per job to exceed $12,000. These grants will be looked at on a case by case basis, considering the factors listed above that determine the appropriateness of the funding level. However, in no case will the state fund a project in excess of the HUD threshold of $35,000 per job.

Grant and loan requests are presented to the ECD Loan/Grant Committee which consists of 1) the Commissioner of ECD, 2) the Deputy Commissioner of ECD, 3) the Assistant Commissioner of Community Development in ECD, 4) the Assistant Commissioner of Business Services in ECD, 4) the Assistant Commissioner of Marketing and Recruiting in ECD, and 5) the Assistant Commissioner for Tax Administration in ECD. The final disposition of the grant or loan request may be approval, denial, approval with conditions, or renegotiation based on these same criteria.

The final decision on the loan or grant will be made by the Committee based on the following considerations:

A. Does the project meet the basic federal requirements (especially LMI and public benefit test)?

B. Is the level of risk acceptable? Based on the analysis of the business plan, marketing plan, historical and projected financial statements, and the organizational structure and expertise of the management of the company, does it appear that the company will remain in production for a significant period of time meeting its employment obligations, and if a loan is involved that the loan will be repaid.

The funding decision for economic development is necessarily subjective by the Committee, but it is based on specific criteria which are designed to identify those companies which hold promise for long-term success and continued employment of LMI persons.

Unlike the community development projects in the annual competition, it is not possible to use a point system to select economic development projects for funding. Because of this, the economic development program operates very much like a bank, with loan officers gathering as much information about a project as possible, analyzing this information and making a recommendation regarding funding, with the final decision regarding funding being the responsibility of a Loan Committee.

Each business requesting CDBG assistance is required to provide the following information:

Business plan;
Marketing plan;
Historical financial statements;
Projections;
Resumes.

This information is thoroughly analyzed and verified. This involves checking with customers, suppliers, banking references, and others that may provide information on the business and the principals in the business.

The grant or loan request is presented to a Loan Committee which consists of 1) Commissioner of ECD, 2) the Deputy Commissioner of ECD, 3) the Assistant Commissioners of the Department. The final disposition of the grant or loan request may be approval, denial, approval with conditions, or re-negotiation based on these same criteria.

The final decision on the loan or grant request is based on the following:

1. Does the project meet the federal requirements (especially LMI and necessary and appropriate)?
2. Are the number and type of jobs to be generated appropriate for the amount of assistance being requested?
3. Is the level of risk acceptable?

XII. Ability to Pay

Each CDBG grant (not loan), except for housing, is based upon an ability-to-pay calculation that determines the level of local financial contribution that is required. This ability-to-pay determination includes per capita income, the value of taxable property, and the value of taxable sales.

User-financed projects are based on per capita income only. Tax financed projects are based on per capita income, property values, and sales.

Depending on the service area of the project, ability-to-pay is calculated for municipalities only, rural county only, and the county as a whole. The correct application of these different indices is as follows:

A. For county applications where 75 percent of the beneficiaries are located in the county, use the county rural rate.;

B. For county applications where 75 percent of the beneficiaries are located in an incorporated area, use the city rate;

C. For county applications that do not have 75 percent of the beneficiaries located in either the county or city, use the county aggregate rate;

D. For city applications, use the city rate;

E. For economic development applications, use the tax financed rate;

F. For county economic development applications, use the county aggregate rate.

Grant rates range from 60 to 100 percent for economic development projects and 70 to 100 percent for community development projects.

Method of Distribution of Funds and Program Description
HOME Program

I. INTRODUCTION

The State of Tennessee has been allocated $16,705,000 in HOME funds for Fiscal Year 2002. This program is governed by Title 24 Code of Federal Regulations, Part 92. Those regulations are incorporated by reference in this Program Description. The federal regulations take precedence over this program description in cases of conflicting requirements.

The State of Tennessee uses the HOME program to fund local housing programs designed to promote the production, preservation and rehabilitation of housing for low and very low income households by contracting with cities, counties, public agencies, and eligible nonprofit organizations, including Community Housing Development Organizations (CHDOs). Contracts are awarded on a competitive basis and assist these entities in carrying out multi-year strategies.

HOME funds are awarded through a competitive application process to cities, counties and non-profit organizations outside local participating jurisdictions. Local participating jurisdictions (PJs) are those local governments in Tennessee that receive HOME funds directly from the Department of Housing and Urban Development. The local PJs are Clarksville, Chattanooga, Jackson, Knoxville, Memphis, Nashville-Davidson County, Knox County, and Shelby County. Local PJs will be eligible to receive THDA HOME funds only after all other eligible applicants have been funded. Community housing development organizations (CHDOs) throughout the state are eligible to apply for state HOME funds even if their service area is a HOME local participating jurisdiction. The maximum HOME grant is $500,000 and the minimum grant is $100,000. There is a 10% limit on the amount of HOME funds that can be awarded in any one county.

For the FY 2002 HOME program, THDA will continue to provide the required match. Therefore, no local match is required from applicants. However, THDA will count toward its matching requirement any non-federal project funds which qualify as match under the HOME rule.

Applications for the HOME program must be received by THDA on or before Friday, March 15, 2002. THDA anticipates notifying successful applicants by the end of May 2002. HOME contracts will begin July 1, 2002 and will end June 30, 2005.

II. THE HOME PROGRAM

A. ELIGIBLE APPLICANTS

The State of Tennessee will accept applications for the HOME program from cities, counties, public agencies, and private, non-profit organizations. The non-profit organizations must have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual; among its purposes the provision of decent housing that is affordable to low and very low income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws; a current Certificate of Existence from the Tennessee Secretary of State dated within twelve months of the application due date; and an IRS designation under Section 501(c)(3) of the tax code. Non-profit applicants may not submit an application until they have received their 501(c)(3) designation from the IRS.

The State will also accept HOME applications from community housing development organizations (henceforth CHDOs). A CHDO is a private, non-profit organization that meets all the requirements for a non-profit listed above. In addition, a CHDO must provide accountability to low-income community residents by maintaining at least one-third of its governing board's membership for residents of low-income neighborhoods, other low income community residents, or elected representatives of low-income neighborhood organizations; and provide a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing. CHDOs may only apply for HOME funding for projects in which the CHDO is the owner, sponsor or developer. CHDO applicants must submit CHDO Designation signed by the applicant's counsel. CHDO applicants may not submit an application until they have received their 501(c)(3) designation from the IRS.

Local Participating Jurisdictions (PJs) are those local governments in Tennessee who receive HOME funds directly from the Department of Housing and Urban Development. Local PJs will be eligible to receive State HOME funds only after all other eligible applicants have been funded. The local PJs are Chattanooga, Clarksville, Jackson, Knoxville, Memphis, Nashville/Davidson County, Knox County and Shelby County.

Applicants with 1992 through 1998 THDA HOME funds must have requested (submitted an official Request for Payment Form with supporting documentation) 100% of their grant by February 28, 2002 to be eligible for the 2002 HOME program. Applicants with 1999 or 2000 THDA HOME funds must have requested at least 75% of their grant by February 28, 2002 to be eligible for 2002 funding. Applicants with 2001 THDA HOME funds must have requested at least 15% of their grant by February 28, 2002 to be eligible for 2002 funding. These spending requirements also apply to applications from CHDOs. In addition, CHDOs that were funded for homeownership programs in 2001 will not be eligible to apply for additional homeownership activities in the 2002 HOME program. Subject to review by the Grants Committee of the THDA Board of Directors, applicants who have not submitted required documentation to close a prior grant or applicants found in material non-compliance with Agency rules are disqualified.

B. ALLOCATION OF FUNDS

HOME funds committed to the State of Tennessee, through THDA, will be allocated as promulgated in the State of Tennessee's Consolidated Plan. In addition, THDA may spend up to ten percent of its HOME allocation for administrative and planning expenses. THDA will use four percent of these funds for its own administrative expenses. The remaining six percent is available to pay the administrative costs of local governments and non-profit grant recipients. The balance of THDA's FY 2002 HOME allocation will be divided as follows:

Fifteen percent (15%) will be reserved for eligible applications from CHDOs throughout Tennessee for 24 months. THDA may spend up to six percent of the CHDO set-aside for CHDO operating expenses or 8% CHDO developer's fees. Funds not committed to CHDOs within 24 months will be recaptured by HUD. If, in the opinion of THDA, the applications submitted do not represent CHDOs with viable proposals or with the potential to comply with all HOME affordability requirements, THDA may choose not to award all of the FY 2002 CHDO funds in the current application round.

Thirty-three percent (33%) percent will be allocated to projects located in urban counties. Urban counties are the counties of Anderson, Blount, Carter, Cheatham, Chester, Davidson, Dickson, Fayette, Hamilton, Hawkins, Knox, Loudon, Madison, Marion, Montgomery, Robertson, Rutherford, Sevier, Shelby, Sullivan, Sumner, Tipton, Unicoi, Union, Washington, Williamson and Wilson. Metropolitan Nashville/Davidson County, Knox County, Shelby County and the cities of Chattanooga, Clarksville, Jackson, Knoxville, and Memphis are excluded from this allocation since they are local Participating Jurisdictions.

Fifty-two percent (52%) will be allocated to projects in rural counties. Rural counties are all other counties in the state not listed above as urban counties or as local Participating Jurisdictions.

THDA will adjust the allocation to the urban round to account for any increased funding to urban area CHDOs.

For the FY 2002 HOME program, THDA will continue to provide the required match. Therefore, no local match is required from applicants. However, THDA will count toward its matching requirement any non-federal project funds which qualify as match under the HOME rule.

HOME awards will be in the form of a grant. There is, however, an exception for rental housing projects. For small rental projects (those with fewer than 12 units) the HOME funds awarded to a successful applicant can be in the form of a loan or grant. For rental projects of

12 or more units, HOME funds will be awarded to successful applicants only in the form of a loan. Subject to the terms and conditions approved by THDA.

Applicants must request at least $100,000 in HOME funds to be considered. The maximum grant amount that can be requested by applicants is $500,000. There is a limit on the amount of HOME funds that can be allocated to any one county which is 10% of the available funds in either the rural or urban rounds or the maximum grant of $500,000, whichever is greater.

C. ELIGIBLE ACTIVITIES

There are specific eligible activities under the HOME Program which must address the housing needs of low-and very-low-income households. Eligible activities include:

1. Homeowner or rental housing rehabilitation programs.

   a. Reconstruction: For the purposes of the HOME program, rehabilitation includes the Demolition and rebuilding or reconstruction of substandard housing. Reconstruction is defined as the rebuilding, on the same lot, of housing standing on a site at the time of project commitment. The number of housing units on the lot may not be decreased or increased as part of a reconstruction project. However, the number of rooms per unit may be increased or decreased depending upon the needs and the size of the household. The reconstructed housing must be substantially similar (i.e., single- or multi-family housing) to the original housing. Reconstruction also includes replacing an existing substandard unit of manufactured housing with a new or standard unit of manufactured housing. A substandard manufactured housing unit cannot be replaced with a stick-built unit as a homeowner rehabilitation activity.

   b. Conversion: Under the HOME program, rehabilitation also includes the conversion of an existing structure from an alternative use to affordable, residential housing. If conversion involves additional units beyond the walls of an existing structure, the project will be deemed new construction. Conversion of structure to commercial use is not eligible for HOME funds.

   c. Manufactured Housing: For purposes of this program description, the definition of manufactured housing contained in the Code of Federal Regulations and used by HUD is adopted. Manufactured housing is a transportable structure, eight feet or more in width, or forty feet or more in length, of at least 320 square feet in size, with a permanent chassis to assure the initial and continued transportability of the structure, and is designed to be used as a dwelling with or without a permanent foundation.
   Under limited circumstances, HOME funds may be used to renovate existing manufactured housing, but the HOME assistance will be limited to a maximum of $10,000 for single-wide units (multiple-width units will be evaluated and pre-approved by THDA on a case by case basis). The $10,000 limit does not apply to the replacement of substandard manufactured housing units under reconstruction,

however, replacement must also be pre-approved by THDA. To receive assistance, the owner of the manufactured home must also own the land on which the home is located or have a 99-year lease.

d. Housing Rehabilitation and Lead Based Paint: Rehabilitation subsidies are capped at $25,000 per unit for all rehabilitation hard costs, plus soft costs and the costs required to treat lead paint hazards. This cap would not apply to instances of reconstruction.

2. Homeownership Programs.

   CHDOS. Construction financing or acquisition/rehabilitation to provide applicants up front source of funds (without interest costs) to build affordable new single family units. The CHDO must be the owner, sponsor or developer of the project. At the time of permanent financing the HOME funds would be repaid to the CHDO as CHDO proceeds and could be used for housing activities. A CHDO could elect to have some of the HOME funds remain with the unit as a soft second mortgage at the time of permanent financing as necessary to qualify the family.

   Cities, counties and non-profit organizations (non-CHDO). Homeownership programs would be restricted to a soft second mortgage necessary to qualify the family.

   Soft second mortgages. Any HOME funds used for a soft second mortgages in homeownership programs would be limited to a maximum subsidy of $14,999 per household with a five year affordability period forgiven at 20% per year. If the unit is sold during the affordability period, the remaining HOME funds would be due on sale to THDA.

   Under homeownership programs, the first mortgage from a bank or mortgage company must be a THDA or “comparable” loan.

   Before construction or acquisition and rehabilitation can begin under homeownership, all units must have buyers pre-approved for a permanent loan. No speculative construction or acquisition is allowed. However, lease purchase is permitted if necessary.

   In addition, all buyers must complete a homeownership education program prior to purchase.

   The sales price limits for homeownership programs are the same as the property value limits for homeowner rehabilitation programs.

3. New construction of rental housing units, including transitional housing designed to provide housing and appropriate supportive services.

4. Acquisition and/or rehabilitation of rental housing units, including shelters/transitional housing designed to provide housing and appropriate supportive services.

5. Applicants proposing rental-housing programs will need to complete Rental Housing Feasibility Worksheet to determine the overall feasibility of the project. If the proposed project consists of scattered site rental housing, this attachment must be completed for each site.

D. INELIGIBLE ACTIVITIES

1. HOME funds cannot be used to: Provide tenant-based rental assistance for the special purposes of the existing Section 8 program; Provide assistance authorized under Section 9 of the 1937 Act (annual contributions for operation of public housing); Carry out activities authorized under 24 CFR Part 968 (Public Housing Modernization); Provide assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages); Provide assistance to a project previously assisted with HOME funds during the period of affordability established by HUD and THDA in the written agreement. However, additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount.

2. Homeowner rehabilitation projects are not an eligible activity for a CHDO. A CHDO can only participate in the HOME program if it is the owner, sponsor or developer of a project.

3. Construction financing or acquisition/rehabilitation is not an eligible activity for counties, cities, or non-CHDO non-profit organizations due to the HOME requirements for program income.

E. LEVERAGE

In the scoring matrix, any project that has leveraged funds will receive additional points. Leveraged funds are funds provided by the local governments, grants from other sources and cash from program beneficiaries. Loan proceeds from a lending institution do not count as leverage. However, the savings generated from a below market interest rate will count as leverage. Administrative funds, anticipated fund-raising revenues, THDA HOUSE funds, and construction loans do not count toward leverage. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years.

The value of donated labor, materials and land will count toward leverage. The value of unskilled labor is set at the current minimum wage, and the value of skilled labor is set at twice the current minimum wage. The value of land and/or a building donated or acquired for a project prior to the application will count as leverage, but there must be an appraisal or tax assessment included in the application to document its value. In order to count donated supplies or materials, only the documented value of the actual goods or materials will be considered and they must be legitimately required by the program. The donor must provide a letter to confirm the amount of the supplies or materials. Proposed discounts will not count as leverage.

In addition, the value of state and local taxes, charges or fees which are waived, foregone or deferred in a manner that achieves affordability of HOME-assisted projects may be counted as leverage. The direct cost of supportive services provided to families in HOME-assisted rental units may be considered as leverage. Also the direct cost of homebuyer counseling services provided to families that acquire properties with HOME funds may be counted.

F. LAYERING

Layering is the combining of other federal resources on a HOME-assisted project which results in an excessive amount of subsidy for the project. Such activity is prohibited. Grantees will analyze each project to insure that only the minimum amount of assistance is allocated to the project. In no case may the amount of HOME funds exceed the Maximum Per Unit Subsidy Limit.

G. HOME PROGRAM REQUIREMENTS

1. Income Limits

HOME funds may be used to benefit only low-and very-low-income households. "Low income households" means an individual or family unit whose income does not exceed 80% of the area median income, adjusted for family size. "Very low income household" means an individual or family unit whose income does not exceed 50% of the area median income, adjusted for family size.

For rental property, the income limits apply to the incomes of the tenants, not to the owners of the property. For rental projects, 90% of the households must have incomes below 60% of the area median income, adjusted for family size. (Refer to Section H - Additional Requirements for HOME Rental Programs.)

The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other family member residing in the home or rental unit. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain income exclusions.

Income limits for the HOME program are dated January 2002. Current limits are in Income Limits for Low and Very Low Income Households. Median income for an area or the state shall be that median income estimate made by the Department of Housing and Urban Development. Median incomes change when HUD makes revised estimates.

2. Forms Of Assistance

Assistance from grant recipients to program beneficiaries will be limited to forgivable grants. These are grants that are completely forgiven after a specified period of time as long as the beneficiary adheres to the conditions of the grant.

CDBG Entitlement applicants may request approval from THDA to provide loans which generate program income. Program income must be accounted for and reported to THDA similar to the manner in which these communities report CDBG program income to HUD.

3. Compliance Period

Homeowner Rehabilitation: Grants for homeowner rehabilitation shall have a compliance period of at least five years regardless of the amount of HOME subsidy. The local program may provide for a forgiveness feature of 20% annually. In order to enforce the grant compliance period for homeowner rehabilitation projects, THDA will require that homeowners sign both a grant note and a deed of trust.

Homeownership Programs: HOME funds for soft second mortgages necessary to qualify a household shall have a compliance period of five years with a forgiveness feature of 20% annually. In order to enforce the compliance period, THDA will require that the homebuyer sign both a grant note and a deed of trust. Under construction financing, the per unit amount of HOME funds and the affordability period they trigger are based upon the amount of HOME funding returned to the Grantee at the time the unit is sold to an eligible homebuyer. In order to enforce the resale provisions for the affordability period, THDA will require that a restrictive covenant be recorded against the property.

HOMEOWNERSHIP ASSISTANCE HOME SUBSIDY PER UNIT	**MINIMUM PERIOD OF AFFORDABILITY**
Under $15,000	5 Years
$15,000 - $40,000	10 Years
Over $40,000	15 Years

Rental Housing Projects: Grants for rental housing projects will be subject to affordability requirements based upon the project type and the amount of HOME subsidy per unit. See Section H-3 Affordability Terms For Rental Projects. Prior to drawing down HOME funds, owners of rental projects will be required to sign a grant note, deed of trust and restrictive covenant to enforce the HOME affordability period.

4. Level Of Subsidy

MINIMUM HOME DOLLARS	$1,000	PER UNIT
MAXIMUM HOME DOLLARS	$35,400	EFFICIENCY LIMIT
	$40,579	1-BEDROOM LIMIT

$49,344	2-BEDROOM LIMIT
$63,834	3-BEDROOM LIMIT
$70,070	4-BEDROOM OR MORE

5. Property Standards

Minimal property standards must be met when HOME funds are used for a project. Any housing constructed or rehabilitated with THDA grant funds under the HOME program must meet all applicable local codes, rehabilitation standards, and zoning ordinances at the time of project completion. In the absence of a local code, new construction of multi-family apartments of 3 or more units must meet the Standard Building Code (1997 edition); new construction or reconstruction of single-family units or duplexes must meet the CABO 1 and 2 Family Dwelling code (1995 edition), and rehabilitation of rental units or existing homeowner units must meet the Standard Housing Code (1994 edition). All three publications are available from:Southern Building Code Congress, 900 Montclair Road, Birmingham, AL 35213 Website: www.sbcci.org

Model Energy Code: New construction projects must meet the Model Energy Code (MEC, 1995 edition), published by the Council of American Building Officials. Copies of the MEC may be obtained from: Council of American Building Officials, 5203 Leesburg Pike, Falls Church, VA 22041, Telephone: (703) 931-4533.

Section 504: New construction projects with five or more units in the same project must also meet the design requirements of Section 504 of the Rehabilitation Act of 1973. Certain percentages of the housing must be fully accessible to persons with physical impairments (5%) and visual impairments and/or hearing impairments (2%).

6. After Rehabilitation Property Value

For homeowner rehabilitation projects, the maximum after rehabilitation value permitted for the type of single-family housing (1-4 family residence, condominium, cooperative unit, combination manufactured home and lot, or manufactured home lot) shall not exceed 95% of the median purchase price for the area as established by HUD. The after rehabilitation value is determined by adding the appraised value of the land and improvements from the county assessor's office and the cost of the rehabilitation (construction hard costs plus project soft costs).

H. ADDITIONAL REQUIREMENTS FOR HOME RENTAL HOUSING PROGRAMS

1. Income Requirements for Home Tenants

Initial Occupancy: Rental housing will qualify as affordable only if, INITIALLY, the income composition is as follows:

In the case of projects with five or more rental units or in the case of an owner of multiple one or two unit projects with a total of five or more rental units: 20% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 50% or less of median income, adjusted for family size, and must pay the Low HOME rents; 70% of the HOME-assisted rental units must be occupied by tenants who have annual income that are 60% or less of median, adjusted for family size, and may pay the High HOME rents. (60% of median income is computed by multiplying the family income at 50% of the median, adjusted for family size, by 120%); and the remaining 10% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 80% or less of median income, adjusted for family size, and may pay the High HOME rents.

If the five or more unit rule does not apply to your project, then the tenants may pay the High HOME rents and the income composition at initial occupancy which is: 10% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 80% or less of median income, adjusted for family size; and 90% of the HOME-assisted rental units must be occupied by tenants who have annual incomes that are 60% or less of median income, adjusted for family size.

Long Term Occupancy Requirements: Owners of rental property are required to maintain occupancy of units by low income and very low income persons for an affordability period ranging from 5 to 20 years.

a. During the applicable affordability period, 80 percent of the HOME-assisted units must be occupied by persons with incomes at or below 80 percent of median income, adjusted for family size;

b. 20 percent of the HOME-assisted units must be occupied by households with incomes at or below 50 percent of median income, adjusted for family size.

c. Tenants whose annual incomes increase to over 80 percent of median may remain in occupancy but must pay no less than 30 percent of their adjusted monthly income for rent and utilities.

HOME-assisted units retain their HOME designation for the entire period of affordability. However, units that are designated as Low HOME rent units and High HOME rent units can, but are not required to, "float" within the HOME-assisted units to maintain compliance with long-term occupancy requirement.

The owner shall make every effort to keep the project in compliance during the affordability period by leasing the next available unit to an individual at the income level needed for compliance.

2. Rent Levels

Every HOME assisted unit is subject to rent controls designed to make sure that rents are affordable to low or very low-income households. These maximum rents may be referred to as HOME rents.

Rents are controlled for the length of the applicable affordability period. These rents are determined on an annual basis by HUD. The owner will be provided with these rents, which include all utilities. The cost of utilities paid by tenants must be subtracted (using applicable utility allowances) from the published HOME rents to determine the maximum allowable rents. HOME rents are not necessarily representative of market conditions and HOME rents may increase or decrease from year to year. Regardless of changes in fair market rents and in median income over time, the HOME rents for a project are not required to be lower than the HOME rents for the project in effect at the time of project commitment. HOME rents represent the following:

a. High Home Rents: The LESSER of Fair Market Rents for existing units as determined by HUD OR 30% of 65% of median income, adjusted for family size.

b. Low Home Rents: This rent is equal to 30% of 50% of median income, adjusted for family size.

Each Grantee should be aware of the market conditions of the area in which the project is located. The High HOME rents and Low HOME rents are maximum rents that can be charged. Each project should show market feasibility not based upon the High and Low HOME rents, but rather upon area housing markets and HOME occupancy requirements that demand occupancy by low- and very low- income persons. Rents shall not exceed the published High and Low HOME rents, adjusted for utility arrangements and bedroom size. However, because these rents must also be attractive to lower income tenants, actual rents may be lower than the High and Low HOME rents. Programs should be designed so they take into consideration the market feasibility of projects funded.

3. Affordability Terms For Rental Projects

HOME assisted Rental units are rent and income controlled for varying lengths of time depending upon the average amount of HOME funds invested per unit:

ACTIVITY	**$ PER HOME UNIT**	**AFFORDABILITY PERIOD**
Rehabilitation or Acquisition of existing housing	Less than $14,999	5 years
Rehabilitation or Acquisition of existing housing	$15,000 - $40,000	10 years

Rehabilitation or Acquisition of existing housing or Rehabilitation involving refinancing	Over $40,000	15 years
New Construction or Acquisition of New Housing		20 years

4. Grantees' On-Going Obligations For Rental Property

After the project is officially closed-out by letter to the Grantee, the record will be transferred to the Internal Audit Division of THDA for long-term compliance monitoring. The Internal Audit Division will provide Grantees with information on HOME Long Term Compliance. Each Grantee will be monitored annually to determine each project's compliance with the HOME Rules and Regulations. Each Grantee will also be monitored for adherence to its contract with THDA.

Grantees are responsible for the rental housing long term monitoring requirements which are:

a. Annual income certification of tenants;
b. Adherence to the HOME rent and income composition guidelines;
c. Compliance with the Standard Housing Codes or Section 8 Housing Quality Standards;
d. Reporting to THDA.

I. HOME RELOCATION REQUIREMENTS

THDA DISCOURAGES PROJECTS INVOLVING DISPLACEMENT OR RELOCATION. PRIOR *TO APPLICATION, CONTACT* ***THDA*** *IF YOU ARE PLANNING ANY PROJECT THAT MAY INVOLVE DISPLACEMENT OR RELOCATION.*

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), and its implementing regulations, 49 CFR Part 24 requires relocation assistance where acquisition has occurred under the Uniform Act. In addition, the Uniform Act coverage was expanded in 1987 amendments to cover displacement of individuals resulting from rehabilitation, demolition or private acquisition carried out under a federally assisted project or program.

Section 104(d) of the Housing and Community Development Act ("The Barney Frank Amendments") and HUD's Residential Anti-Displacement and Relocation Assistance Plan include additional relocation requirements. This extra level of relocation protection may be triggered for low-income households when units are converted or demolished with CDBG, UDAG, or HOME funds. In addition, when Section 104(d) is triggered, jurisdictions may need to replace any low/moderate income dwelling units that are lost due to the conversion or demolition. This section refers only to residential relocation. If non-residential (commercial/industrial) relocation is involved, contact THDA.

Understanding how relocation requirements are triggered, alternate ways of meeting them, and the costs of the alternatives is essential in making HOME program decisions. Concerns about relocation may cause an administrator to consider establishing a preference for vacant buildings. However, administrators should also consider that vacant buildings are often very deteriorated. Rehabilitating an occupied building even with the cost of assisting tenants to remain or relocate, may be less costly than rehabilitating a vacant building. In occupied buildings, program administrators must consider whether occupants will be able to return after rehabilitation and whether Section 8 assistance is available to help meet relocation costs. Selecting vacant projects does not relieve all relocation concerns. Vacant buildings in good condition may have been recently occupied. If so, the program administrator must consider whether the owner removed the tenants in order to apply for HOME assistance for a vacant building. If so, these tenants are displaced persons.

Skilled staff can save the local program money and build goodwill with owners and tenants. Failure to understand and follow relocation requirements can result in unnecessary costs for the local program. It is possible for uninformed owners and staff to take steps that would obligate the local program to provide significant relocation benefits and services. Early briefings for owners and program staff on relocation rules are essential. Handbook 1378, Tenant Assistance, Relocation and Real Property Acquisition consolidates relocation requirements for HOME and other HUD programs in one document. It is available from HUD Field Offices or by contacting THDA. HUD informational booklets for persons who are displaced or whose property is to be acquired are also available from HUD Field Offices or from THDA.

URA requirements are triggered at the time the application is being prepared, and additional requirements are triggered at the time the working agreement is signed between the owner and the grantee and when rehabilitation is completed. Treatment of displaced persons depends upon whether the displaced person is (1) a tenant or owner; (2) a business or family; (3) has income above or below the Section 8 Lower Income Limit.

WHO IS A DISPLACED PERSON? - Any person (family, individual, business, farm, or non-profit organization) that moves from the real property, permanently, as a direct result of rehabilitation, demolition, or acquisition for a project assisted with HOME funds. Relocation requirements apply to all occupants of a project/site for which HOME assistance is sought even if less than 100% of the units are HOME assisted.

WHO IS NOT A DISPLACED PERSON? - A tenant evicted for cause, assuming the eviction was not undertaken to evade URA obligations. A person with no legal right to occupy the property under State or local law (e.g., squatter). A tenant who moved in after the application was submitted but before signing a lease and commencing occupancy, was provided written notice of the planned project, its possible impact on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under URA as a result of the project. A person, after being fully informed of their rights, waives them by signing a Waiver Form.

HOW IS DISPLACEMENT TRIGGERED?

Before Application: A tenant moves permanently from the property before the owner submits an application for HOME assistance **if** THDA or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition for the HOME project. (e.g., THDA determines that the owner displaced tenants in order to propose a vacant building for HOME assistance.)

After Application: A tenant moves permanently from the property after submission of the application, or, if the applicant does not have site control, the date THDA or the local program administrator approves the site because: (1) the owner requires the tenant to move permanently; or (2) the owner fails to provide timely required notices to the tenant; or (3) the tenant is required to move temporarily and the owner does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable.

After Execution of Agreement: A tenant moves permanently from the project after execution of the agreement covering the acquisition, rehabilitation or demolition because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project.

J. HOME PROGRAM RESIDENTIAL ANTI-DISPLACEMENT AND RELOCATION ASSISTANCE PLAN

The Tennessee Housing Development Agency will replace all occupied and vacant occupiable lower income housing demolished or converted to a use other than as lower income housing in connection with a project assisted with funds provided under the HOME Investment Partnership Act.

All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a working agreement committing Tennessee Housing Development Agency to provide funds for a project that will directly result in the demolition or conversion, the Tennessee Housing Development Agency will make public by and submit to HUD, Knoxville HOME coordinator certain information. Each applicant proposing demolition or any reduction in lower income housing units must submit the following information to THDA:

1. A description of the proposed assisted project;

2. The address, number of bedrooms, and location on a map of lower income housing that will be demolished or converted to a use other than as lower income housing as a result of an assisted project;

3. A time schedule for the commencement and completion of the demolition or conversion;

4. To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided.

5. The source of funding and a time schedule for the provision of the replacement housing;

6. The basis for concluding that the replacement housing will remain lower income housing for at least 10 years from the date of initial occupancy;

7. Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Consolidated Plan.

K. EQUAL OPPORTUNITY AND FAIR HOUSING

No person in the United States shall on the grounds of race, color, national origin, religion or sex be excluded from participation, denied benefits or subjected to discrimination under any program funded in whole or in part by HOME funds. The following Federal requirements as set forth in 24 CFR 5.105(a), Nondiscrimination and equal opportunity, are applicable to HOME projects:

Fair Housing Act	24 CFR 100
Executive Order 11063, as amended (Equal Opportunity in Housing)	24 CFR 107
Title VI of the Civil Rights Act of 1964 (Nondiscrimination in Federal programs)	24 CFR 1
Age Discrimination Act of 1975	24 CFR 146
Section 504 of the Rehabilitation Act of 1973	24 CFR 8
Executive Order 11246, as amended (Equal Employment Opportunity Programs)	41 CFR 60
Section 3 of the Housing & Urban Development Act of 1968	24 CFR 135

Section 3 requires that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low and very low income persons, particularly those who are recipients of government assistance for housing.

Executive Order 11625, as amended (Minority Business Enterprises)
Executive Order 12432, as amended (Minority Business Enterprise Development)
Executive Order 12138, as amended (Women’s Business Enterprise)

Executive Orders 11625, 12432, and 12138 (Minority/Women's Business Enterprise) require that PJs and local programs must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. Local programs must also develop acceptable policies and procedures if their application is approved by THDA.

In addition to the above requirements, the PJ and local programs must assure that its Equal Opportunity and Fair Housing policies in the HOME Program are consistent with its current Consolidated Plan.

L. SITE AND NEIGHBORHOOD STANDARDS

Housing provided through the HOME program must promote greater choice of housing opportunities. Specific rules are:

1. HOME-provided housing must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations issued pursuant thereto.

2. New construction of rental housing must meet site and neighborhood standards from 24 CFR 893.6(b) that places limiting conditions on building in areas of "minority concentration" and "racially mixed" areas.

These rules are complex and subject to interpretation. Several common sense actions will help in deciding on projects. Avoid action that would ultimately increase the racial segregation in your communities. Review rental new construction plans with your HUD field office. Try to get input from the Fair Housing person and the program person. Identify and address community concerns about projects to the greatest extent possible before committing funds.

M. AFFIRMATIVE MARKETING

Local programs must adopt affirmative marketing procedures and requirements for all HOME rental housing with five or more units. These must be approved by THDA prior to any HOME funds being committed to a project. Requirements and procedures must include:

1. Methods for informing the public, owners and potential tenants about fair housing laws and the local program's policies;

2. A description of what owners and/or the program administrator will do to affirmatively market housing assisted with HOME funds;

3. A description of what owners and/or the program administrator will do to inform persons not likely to apply for housing without special outreach;

4. Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness; and

5. Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

N. ENVIRONMENTAL REVIEW

In implementing the HOME program, the environmental effects of each activity must be assessed in accordance with the provisions of the National Environment Policy Act of 1969 (NEPA) and the related authorities listed in HUD's regulations at 24 CFR Parts 50 and 58.

THDA as the Participating Jurisdiction and the units of local government funded by THDA will be responsible for carrying out environmental reviews. THDA will approve the release of funds for local governments and must request the release of funds from HUD for any projects of CHDOs or non-profit organizations. The CHDOs and non-profit organizations will be responsible for gathering the information required for the environmental reviews. HOME funds cannot be committed until the environmental review process has been completed. Commitments for expenditures made prior to the approval of the environmental review cannot be reimbursed with HOME funds.

O. LEAD-BASED PAINT

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.) and 24 CFR Part 35, Subparts C through M. The lead-based paint provisions of 982.401(j) also apply, irrespective of the applicable property standard under 24 CFR 92.251. The Lead-Based Paint regulations are available at www.hud.gov/lea or by contacting 1-800-424-LEAD (5323). In a project in which not all units are assisted with HOME funds, the lead-based paint requirements apply to all units and common areas in the project.

P. LABOR STANDARDS

Davis-Bacon wage compliance and other Federal laws and regulations pertaining to labor standards apply to all contracts for rehabilitating or constructing 12 or more units assisted with HOME funds. The contract for construction must contain the applicable wage provisions and labor standards. Davis-Bacon does not apply to projects using volunteer labor or to sweat equity projects.

Q. DEBARMENT AND SUSPENSION

Local programs must require participants in lower-tier transactions covered by 24 CFR 24 to certify that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction.

R. FLOOD PLAINS

HOME funds may generally not be invested in housing located in an area identified by the Federal Emergency Management Agency as having special flood hazards. THDA discourages projects located in special flood hazard areas, but in a few instances and with written permission from THDA, houses located in a floodplain may be assisted. The community must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.

S. CONFLICT OF INTEREST

In the procurement of property and services, the conflict of interest provisions in 24 CFR 85.36 and 24 CFR 84.42, respectively, apply. In all cases not governed by 24 CFR 85.36 and 24 CFR 84.42 the conflict of interest provisions of the HOME Rule apply.

The conflict of interest provisions of the HOME program are more strict than those of other federal programs. The HOME conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA, a State recipient or sub-recipient receiving HOME funds. No person listed above who exercises or have exercised any functions or responsibilities with respect to activities assisted with HOME funds or who is in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or benefit from a HOME-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

No owner, developer or sponsor of a project assisted with HOME funds (or officer, employee, agent or consultant of the owner, developer or sponsor) whether private, for profit or non-profit (including a CHDO when acting as an owner, developer or sponsor) may occupy a HOME-assisted affordable housing unit in a project. This provision does not apply to an owner-occupant of single-family housing or to an employee or agent of the owner or developer of a rental housing project who occupies a HOME-assisted unit as the project manager or maintenance worker.

THDA no longer routinely considers requesting from HUD exceptions to the conflict of interest provisions.

T. PROCUREMENT

It is important to keep the solicitation of bids for goods and services as well as professional services contracts open and competitive. Cities, counties and non-profit organizations must follow their procurement policies and meet federal requirements. At a minimum, cities and counties must comply with 24 CFR 85.36 and non-profits must comply with 24 CFR 84.

Applicants should obtain 3 to 5 bids using formal advertising or requests for proposals for the procurement of professional services such as grant administration, inspections and work write-ups. There must be an established selection procedure and a written rationale for selecting the successful bid or proposal.

U. APPLICATION AND EVALUATION PROCEDURE

THDA will evaluate each application to determine if the proposal meets threshold criteria. Threshold criteria includes: submission of a complete application; proposal of an eligible activity; proposal of a project that in the opinion of THDA is physically, financially and administratively feasible; proposal of a project that meets the requirements of 24 CFR Part 92, as amended; and documentation of an approved growth plan and the formation of a Joint Economic and Community Development Board (JECDB) prior to the submission of the 2002 HOME application.

In addition, threshold requirements for non-profit organizations and CHDOs include: demonstrated capacity to provide affordable housing for low income households; a Board of Directors involved in the operation and oversight of the agency's programs; financial base for the agency's program and operating expenses independent of the proposed HOME funds; and sufficiently trained staff to administer a HOME program.

In addition to the threshold requirements for non-profits, CHDOs must also meet the following threshold requirements: a demonstrated capacity to manage rental housing, if applicable; successful production of affordable housing projects; and a positive assessment by THDA of previous HOUSE or HOME projects administered by the CHDO (program knowledge and administration, the ability to draw down funds, monitoring findings, response to client complaints and long-term compliance with HOME rules).

Applications meeting the threshold criteria will be scored and ranked in descending numerical order within the urban, rural or CHDO rounds, based on the following categories:

HOME PROGRAM URBAN AND RURAL MATRIX - Up to 240 Points

1. CAPABILITY — Up to 50 points

- ✍ The proposed program demonstrates exceptional planning, readiness and administrative capability. — Up to 20 points
  - ? The program design is complete and all necessary components to accomplish the project are identified in the application.
  - ? Program administrators have been identified.
  - ? Individuals/firms providing architectural, construction management and/or inspection services have been identified.
  - ? Local government is involved in the administration of the project.
  - ? For housing rehabilitation projects, the lead inspector/risk assessor has been identified?
  - ? For rental projects, potential sites have been identified?
  - ? For rental projects, there is a demonstrated capability to secure financial arrangements which exceeds threshold requirements.

- ✍ THDA assessment of the qualifications, training and previous performance of the consultant, applicant (if administering own project) and the inspector. — Up to 20 points
  - ? General knowledge of grants administration.
  - ? Ability to administer housing programs.
    - ✍ Number of projects underway.
    - ✍ Number of successfully completed projects.
  - ? Qualifications of the individual or firm completing the work write-ups and inspections.
  - ? Available resources and staff to assist in the administration of the project.

- ✍ Amount of program administrators' relevant experience. — Up to 10 points
  - ? If previous experience under HOUSE or HOME, the ability to draw down funds; the ability to complete a project in a timely manner; monitoring findings; and response to client concerns or complaints.
  - ? If no previous experience under HOUSE or HOME, relevant training, partnerships or mentoring arrangements with experienced administrators.
  - ? Oversight of rental housing programs.

2. NEED — Up to 50 points

THDA has calculated need factors using statistics for cities, counties and census tracts. Census tract need scores are provided only if the census tract score is higher than the county need score. Factors are based on percentages rather than absolute numbers. The need factors used are percentages of the

State's lower income households, the percentage of units built prior to 1950, and the percentage of households with housing costs greater than 30% of income. Scores to be used in the evaluations are shown in 2002 THDA Grant Program and 2002 HOME Need Scores for Cities and Counties and 2002 HOME Need Scores for Census Tracts. For multi-county projects, this score is calculated proportionately according to the number of units proposed for each county. Shows scores to be used by applicants proposing projects in census tracts.

3. LEVERAGING OF OTHER FUNDS **Up to 50 points**

THDA shall award points to applicants whose projects will include the use of funds from other sources. THDA will award points in this category based on the actual percentage of other funds in the project. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. (See HOME Leverage Requirements - page 30). In order to receive points, there must be written documentation for the leveraged funds in the application.

4. NOT PROPORTIONALLY SERVED **Up to 50 points**

THDA shall award up to 50 additional points to applications submitted from areas where the amount of HOUSE and HOME funding is below the state average. The formula for awarding these points is based on the percentage of 1999, 2000 and 2001 HOME and 2000 THDA Grant Program dollars awarded in each county. These calculations are shown in HOME Program Not Proportionally Served. For multi-county projects, this score is calculated proportionately according to the number of units in each county.

5. DISASTER AREAS **Up to 10 points**

THDA shall award 10 additional points to applications for projects located in counties that have been declared a presidential disaster area under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in the year prior to the application due date. Documentation of the presidential disaster declaration must be included in the application.

6. SPECIAL NEEDS PROJECTS **20 points**

THDA shall award 20 points for any type of project targeting a special needs population. "Special needs" projects include, but are not limited to, housing designed for persons with an unusual need due to a condition that can either be permanent or temporary. Permanent conditions may include a physical, emotional or mental impairment that substantially limits one or more major life activities, such as walking, caring for oneself, learning or working. Temporary conditions may include homelessness, recovering from addiction or alcoholism, battered spouses, or teens referred by the courts. Projects targeted to the elderly are not considered special need projects.

7. INNOVATION. **Up to 10 points**

THDA shall award up to 10 additional points to applications that contain new approaches in the production of affordable housing, forge new or different partnerships or contain innovative components, such as homeownership programs with on-going counseling or homeowner rehabilitation programs with training in home maintenance.

HOME PROGRAM CHDO MATRIX - Up to 240 Points

1. CAPABILITY **Up to 50 Points**

The proposed project demonstrates exceptional planning and readiness:

- ✍ The proposed program demonstrates exceptional planning, readiness and administrative capability. Up to 25 points
  - ? The program design is complete and all necessary components to accomplish the project are identified in the application.
  - ? Sites have been identified and CHDO has control.
  - ? Feasibility worksheet is complete and demonstrates need for HOME funds.
  - ? CHDO has the capacity to secure other funding for the project. Commitment letters are included in the application.

- ✍ The organization demonstrates sufficient capacity. Up to 25 points
  - ? The organization has produces successful affordable housing projects.
  - ? The organization has a demonstrated capacity to manage rental housing programs, if applicable.
  - ? The agency’s budget reflects multiple sources of funding.
  - ? If previous experience under HOUSE or HOME, the ability to draw down funds; the ability to complete a project in a timely manner; monitoring findings; and response to client concerns or complaints.

2. NEED **Up to 50 points**

THDA has calculated need factors using statistics for cities and counties. Census tract need scores are provided only if the census tract score is higher than the county need score. Factors are based on percentages rather than absolute numbers. The need factors used are percentages of the State's lower income households, the percentage of units built prior to 1950, and the percentage of households with housing costs greater than 30% of income. Calculations and scores to be used in the evaluations are shown in 2002 HOME Need Scores for Cities and Counties and 2002 HOME Need Scores for Census Tracts. For multi-county projects, this score is calculated proportionately according to the number of units proposed for each county.

3. LEVERAGING OF OTHER FUNDS **Up to 50 points**

THDA shall award points to applicants whose projects will include the use of funds from other sources. THDA will award points in this category based on the actual percentage of other funds in the project. Leveraged funds counted in one program year do not qualify again as leverage in subsequent years. (See HOME Leverage Requirements - page 30). In order to receive points, there must be written documentation for the leveraged funds in the application.

4. NOT PROPORTIONALLY SERVED **Up to 50 points**

THDA shall award up to 50 additional points to applications submitted from areas where the amount of THDA and HOME funding is below the state average. The formula for awarding these points is based on the percentage of 1999, 2000, and 2001 and 2000 THDA Grant Program (Local Match/Great Place) dollars awarded to each county. These calculations are shown in HOME Program Not Proportionally Served. For multi-county projects, this score is calculated proportionately according to the number of units in each county.

5. DISASTER AREAS. **10 points**

THDA shall award 10 additional points to applications for projects located in counties that have been declared a presidential disaster area under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in the year prior to the application due date. Documentation of the presidential disaster declaration must be included in the application.

6. SPECIAL NEEDS PROJECTS. **20 points**

THDA shall award 20 points for any type of project targeting a special needs population. "Special needs" projects include but are not limited to housing designed for persons with an unusual need due to a condition that can either be permanent or temporary. Permanent conditions may include a physical, emotional or mental impairment that substantially limits one or more major life activities, such as walking, caring for oneself, learning or working. Temporary conditions may include homelessness, recovering from addiction or alcoholism, battered spouses, or teens referred by the courts. Documentation of support services must be included in the application. Projects targeted to the elderly are not considered special needs projects.

7. INNOVATION. **Up to 10 points**

THDA shall award up to 10 additional points to applications that contain new approaches in the production of affordable housing or forge new or different partnerships.

Method of Distribution of Funds and Program Description
Housing Opportunities for Persons with Aids Program (HOPWA)

I. Introduction

The State of Tennessee has been allocated $694,000 in federal funds for the Housing Opportunities for Persons with AIDS (HOPWA) program in 2002. Two metropolitan areas of the state receive direct HOPWA funds from HUD. The state will administer funds to the remainder of Tennessee. No more than 3% of the State's award will be retained by the Department of Health, AIDS Support Services for administrative costs. The remaining 97% will be contracted using a request for grant proposal (RFGP) process for not-for-profit, AIDS Community-Based Organizations (CBOs).

During the 1996 grant year, the State was notified that two of its metropolitan regions (Memphis and Nashville) qualified as eligible metropolitan statistical areas (EMSAs) for HOPWA formula allocations beginning in FY1997. At that time, the State revised the geographic breakdown for HOPWA into seven regions, which include every county in the state not included in the two EMSAs. Each of the seven (7) regions has one CBO that is the project sponsor for HOPWA for that region. The CBOs were selected using the RFGP process.

The RFGP process for HOPWA is based on a five-year cycle. Once an RFGP is issued and project sponsors are selected, the contracts for these agencies are renewed annually for five years. The State reserves the right to cancel contracts and reissue an RFGP based on the performance of the project sponsors.

The Department of Health will contract with established not-for-profit agencies showing both the plan and the ability to provide direct intervention and housing assistance to eligible individuals and their families. Recommended minimum or maximum requests will not be given. Each proposal is evaluated on the scope of the proposed activities and the amount of funding required. Funding of the initial RFGP was awarded as available to agencies that submitted proposals that best met the required criteria and provided a detailed budget.

In preparation for initial the RFGP submission, the AIDS Support Services staff met with AIDS CBOs and other agencies interested in applying for HOPWA funds. As a result of these consultations, the State of Tennessee chose to use the HOPWA funds for projects that address needs in these areas:

A. Housing information services including, but not limited to, counseling, information, and referral services to help eligible individuals to locate, acquire, finance, and maintain housing. This may also include fair housing counseling for eligible beneficiaries who may encounter discrimination based on race, color, religion, sex, age, national origin, familial status, or disability.

B. Resource identification to establish, coordinate, and develop housing assistance resources for eligible persons (including conducting preliminary research and making expenditures necessary to decide the feasibility of specific housing-related initiatives).

C. <u>Short-term rent, mortgage, and utility payments</u> to prevent homelessness of the tenant or mortgagor of a dwelling.

D. <u>Supportive services</u> including, but not limited to, health, mental health, assessment, permanent housing placement, drug and alcohol abuse treatment and counseling, day care, nutritional services, intensive care when required, and assistance in gaining access in local, state, and federal government benefits and services, except that health services may only be provided to individuals with AIDS or related diseases and not to family members of these individuals.

The AIDS Program issued an initial RFP for the four named activities; encouraging the maximum use of HOPWA funds for HIV infected individuals and their family members threatened with homelessness. Proposals were reviewed by a panel of persons with expertise in AIDS health care, housing, and homelessness issues. Evaluators adhered to all aspects of the federal regulations governing HOPWA. Additional evidence considered included the level of local or regional networking among area HIV service organizations; plans to identify HIV positive persons who are homeless but not part of any HIV support system; plans to serve both rural and urban residents; and the development of emergency housing plans for HIV positive persons.

The last RFGP for HOPWA was issued for FY 2000-2001, with contracts being renewed for FY 2001-2002. The original areas of 1) Housing Information Services, 2) Resource Identification, 3) Short-term Rent, Mortgage, and Utility Payments, and 4) Supportive Services were funded. During preparation for contract renewals for FY 2002-2003, AIDS Support Services received further definitions and clarification from HUD on Resource Identification, which has led to the omission of this as a funded area through the State's formula allocation. Beginning with in FY2002-2003, the State of Tennessee, AIDS Support Services will use the HOPWA funds for the following areas of need:

A. <u>Housing information services</u> including, but not limited to, counseling, information, and referral services to help eligible individuals to locate, acquire, finance, and maintain housing. This may also include fair housing counseling for eligible beneficiaries who may encounter discrimination based on race, color, religion, sex, age, national origin, familial status, or disability;

B. <u>Short-term rent, mortgage, and utility payments</u> to prevent homelessness of the tenant or mortgagor of a dwelling;

C. <u>Supportive services</u> including, but not limited to, health, mental health, assessment, permanent housing placement, drug and alcohol abuse treatment and counseling, day care, nutritional services, intensive care when required, and assistance in gaining access in local, state, and federal government benefits and services, except that health services may only be provided to individuals with AIDS or related diseases and not to family members of these individuals.

II. Program Plan

A. Background and Need

Each plan included a "background and need" section that: (a) identified the applicant's HIV-specific program to date, concentrating heavily on specific client-related service, (b) analyzed the proposer's client caseload, concentrating specifically on data to show the need for HIV housing related services and activities, (c) documented how other HIV specific agencies have been consulted to decide local needs for housing related services, (d) for previous HOPWA grant recipients, a demographic breakdown of HOPWA clients, including the three low income categories, was detailed.

B. Program Plan

Based upon the information identified in the "Background and Need" section, each proposal provided a "program plan" that identified each activity selected for inclusion in the proposal and an estimate on the number of individuals expected to be served. The program plan outlined procedures expected to be initiated within each selected activity: (a) initial client referral; (b) intake and determination of eligibility; (c) provision of services; (d) reviews of client situation for additional needs and/or continuation of assistance and; (e) discharges from the program.

C. Outreach and Networking

Each plan included a means through which potentially eligible applicants and recipients are notified of the availability of housing assistance. The plan also addressed individuals in need in the surrounding rural areas, as appropriate, as well as individuals who may be HIV infected and homeless, but not part of any existing HIV support system.

Each applicant included a local and/or regional networking plan involving agencies that provide HIV related services that will be used for service referrals. Organizations participating in this network included local and regional health department AIDS programs, other HIV-related community-based organizations, alcohol and drug abuse HIV outreach agencies, HIV specific clinics, counseling and testing sites, homeless shelters and soup kitchens, local social service agencies, local Red Cross and Planned Parenthood organizations, and other agencies involved in a specific area.

All plans described and developed procedures for interagency referral and follow-up documentation to ensure other needed services are discussed and information on application for such services is made available to clients in need.

D. Definition of "Family Member"

HUD defines "family" as a household composed of two or more related persons. The term "family" also includes one or more eligible persons living with another person or persons who are determined to be important to their care or well being, and the surviving member or members of any family described in this definition who are living in a unit, helped under the HOPWA program, with the person with AIDS at the time of his or her death. This definition gives consideration to relationships outside traditional marriage between opposite sexes, but is specific enough to prevent situations where an individual receives housing assistance and subsequently provides a place to live for one or more friends or acquaintances.

E. Geographic Target Area

The geographic target area to be covered under funds awarded was detailed by each applicant. In the event the target area was limited to a metropolitan city, the plan addressed how needs/inquiries from individuals in surrounding rural areas would be handled. All Tennessee counties not served by HOPWA EMSAs will be served by the State HOPWA program in 2002-2003.

Methodology for Formula Distribution
HOPWA Program

For the HOPWA program, the State is divided into seven regions. Sponsors wishing to receive HOPWA funds may submit applications to the HOPWA program when an RFGP is released. Total funding awards will not exceed the amount available for distribution within the region.

The formula for regional distribution of funds was determined by the ratio of HIV/AIDS cases reported in each region to the total cases reported statewide. Prior to regional distribution, $25,000 is set aside to assist sponsors in the Upper Cumberland and South Central regions in the provision of a full time case manager in each of these two extreme rural regions, previously without case management. Although each of these two regions contains less than 10% of Tennessee's HIV/AIDS population, access to benefits must be available in over 10 extreme rural counties in each region. The remaining funds were then distributed for housing and support services in accordance with the funding formula. Total funding awards will not exceed the amount available for distribution within the region. Funding is distributed as follows:

Regional Distribution

East Tennessee	30%	$194,500
Northeast Tennessee	10%	$64,800
Upper Cumberland	5%	$32,400
Mid Cumberland (Stewart, Montgomery, Houston, Humphreys, and Dickson counties)	4%	$25,900
South Central Tennessee	7%	$45,400
Southeast Tennessee	28%	$181,500
West Tennessee	16%	$103,700
	100%	**$648,200**
Access to Benefits Extreme Rural Upper Cumberland/South Central		$25,000
Grantee Administration		$20,800
TOTAL	**100.00%**	**$694,000**

Method of Distribution of Funds and Program Description
Emergency Shelter Grant (ESG) Program 2002-2003

The State of Tennessee has been allocated $1,315,000 from HUD for the State Fiscal Year 2002-20023 ESG program. Funds will be allocated through small cities set aside, statewide prevention, and statewide competition mechanisms.

Core activities for FY 2002-2003 are limited renovation activities and helping meet the operational expenses of emergency homeless shelters in under-served areas of the State. The State is particularly interested in developing and expanding shelter programs in rural areas that lack ready access to other homeless funds.

The state proposes to review and rank applications, and make final awards, based on:

1. The final award to the state;
2. The rating instrument contained in the application;
3. Development of new homeless shelters in unserved areas of the State;
4. Provision of services to the most critically homeless populations; and
5. An assessment of other resources available to the applicant to support the activities for which ESG funds are requested.

The State will use the rating instrument contained in the Department of Human Services' application package to establish threshold criteria for consideration for funding. Final funding decisions will be based on a review of the other areas of consideration noted above.

Those awarded funds must meet the following requirements:

The scope of allowable activities includes the provision of certain prevention activities, certain essential services and the payment of certain costs of operation.

Recipients must maintain assisted shelters for either a <u>three or ten year period</u> (if renovation activities are undertaken) while providing on-going assistance to homeless clients;

Recipients must provide an amount of local funds or allowable in-kind contributions <u>equal</u> to the ESGP funds requested, to meet the 50% match requirement for the program.

Local government recipients may distribute all or parts of their grant amounts to eligible private, nonprofit organizations for allowable ESGP activities within 180 days; and

Recipients must execute an ESGP agreement with the State for the period of July 1, 2002 through June 30, 2003. Reimbursement for eligible activities will cover the period July 1, 2002 through June 30, 2003.

Other allocation considerations include:

1. The State will allocate $343,000 on a formula basis to the seven CDBG entitlement cities who do not receive ESG formula funds, but are expected to address homelessness through the "Continuum of Care" described in their Consolidated Plans.

2. The State of Tennessee Department of Human Services is committed to ensuring that State funded shelters offer guests a safe, clean environment, with committed staff, sensitive to the special needs of homeless persons. DHS will make every effort to fund activities that support voluntary compliance with the Emergency Shelter Standards included in the Application materials. These standards are adapted from the considerable efforts of the Nashville Coalition for the Homeless, who conducted a national review of available homeless shelter standards.

3. The State will continue to fund a health care outreach program to be administered by the National Health Care for the Homeless council, which is located in Nashville, Tennessee. This project will provide training and technical assistance to ESGP- funded emergency family and domestic violence shelters to encourage enrollment of the homeless in Tennessee's managed health care plan (TennCare) for the poor and will include the development of a statewide directory of health care resources for the homeless. As time and resources are available, non-ESGP funded shelters may participate.

2002-2003 Emergency Shelter Grants Program

Award		**$1,315,000**
Less State Administration (5%)		$65,750
Less Small Cities Setaside [1]		$343,000
Bristol	$37,000	
Clarksville	$78,000	
Jackson	$67,000	
Johnson City	$48,000	
Kingsport	$42,320	
Murfreesboro	$46,000	
Oak Ridge	$24,000	
	$343,000	
Available for Competitive Applications		**$906,250**

1 No setaside is available for Memphis, Chattanooga, Knoxville or Nashville as they receive direct ESGP formula funds. Setaside formula is based on population, poverty rate, unemployment, and number of homeless described in most recent Consolidated Plan.

Method of Distribution of Funds
Other Federal and Non-Federal Resources

HUD Section 8 Tenant-Based and Project-Based Rental Assistance Program

While several agencies throughout the State administer the Section 8 tenant based program, the THDA program is authorized to operate in all counties, administered through nine Field Offices located in Cookeville, Covington, Erin, Knoxville, Lewisburg, Milan, Nashville, Selmer, and Tullahoma. Each Field Office covers area counties, maintains a waiting list of potential recipients, and receives an allocation of vouchers based on the area served. Issuing of Section 8 vouchers is a continual process and occurs throughout the year.

In 2000, the THDA Contract Administration division assumed the responsibility for administration of Section 8 Project Based contracts throughout the state. The Division has 364 contracts representing 25,000 units, and monthly Housing Assistance Payments (HAP) are approximately $9,500,000 per month.

Low Income Housing Tax Credit Program

As tax credit authority is made available to the State from the Internal Revenue Service, tax credits are offered on a competitive basis to eligible applicants throughout the State. THDA administers this program and offers one or more application cycles based on level of tax credit authority, demand, and quality of applications submitted. Ten percent of the total state authority is reserved for qualified nonprofit applicants. Scoring criteria for tax credit applications gives substantial preference to developments that:

? have marketing plans, lease-up plans, or operating policies and procedures which will give a priority to persons on current Public Housing waiting lists or to persons with Section 8 Housing Choice Vouchers in counties with high Section 8 voucher turnover;
? plan to develop housing designed for large families, elderly, persons with disabilities, or single-room occupancy;
? include extended use restrictions for low income occupancy beyond 15 years; or
? elect to set aside a minimum of 20% of the units for households with income no higher than 50% of area median income.

THDA Homeownership Program

Funds for homeownership are made available to low- and moderate-income, first time homebuyers through the issuance of tax exempt mortgage revenue bonds. When a bond issue occurs, originating agents and Realtors are notified. THDA does not serve as a direct lender, but works with over 130 originating agents throughout the state. The originating agents prepare and package the application along with other required documentation. The package is then sent to THDA for underwriting. THDA then issues a commitment of funding, usually within one to two weeks, to the originating agent, and the loan goes to closing.

THDA homeownership loans are available through the Great Rate program with maximum borrower income of $49,000 for 1-2 person households and $58,500 for three-plus person households. Income limits vary by county with the lowest rates at $40,500 for 1-2 person households and $48,000 for three-plus person households for small metro and non-metro areas. Acquisition cost limits for new homes range from $90,000 in rural areas to $135,000 in the MSAs. Acquisition limits for existing homes range from $57,000 in rural areas to $115,000 in MSAs. Income and acquisition limits are subject to change.

The THDA Great Start program offers a 3% down payment and closing cost assistance to qualified buyers. To help the new home buyer avoid delinquent payments or foreclosure, homebuyer education or counseling is required. The income and acquisition limits of the Great Rate program apply to Great Start also.

The New Start 0% Mortgage Loan Program is designed to promote the construction of new homes for very low-income Tennesseans. The New Start 0% Mortgage Loan Program is delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit is responsible for selecting the homebuyer, determining eligibility, constructing the home, providing homebuyer education, originating the New Start 0% Mortgage Loan, and servicing the New Start 0% Mortgage Loan. The income limit for New Start is $25,350 and the maximum loan amount is $60,000.

HOW THE PROPOSED DISTRIBUTION OF FUNDS WILL ADDRESS THE PRIORITY NEEDS AND SPECIFIC OBJECTIVES DESCRIBED IN THE CONSOLIDATED PLAN

The Consolidated Plan established the following Priorities:

Housing

Increase the Amount of Affordable Housing and Preserve the Affordable Housing Stock.

Action Steps

? Housing rehabilitation targeted toward low- very low- and moderate-income populations in the state in order to preserve the current affordable housing stock.
? Discourage destruction of viable affordable housing for low –income individuals
? Encourage the production of multifamily housing to serve low-income individuals in the state.
? Target funds toward elderly housing in the state with emphasis on handicapped accessibility.
? Encourage the preservation of 2-3 bedroom affordable housing for low-income families in the state.
? Increase/Maintain the number of housing facilities in the state for homeless individuals.

Non-Housing Community Development Needs

Provide for the viability of communities through insuring infrastructure, community livability, health and safety, and economic development.

Action Steps

? Provide water and sewer-related services to under served areas of the state.
? Provide funds for fire protection.
? Provide economic development opportunities through infrastructure development, industrial buildings and equipment.
? Provide for the safety and well being of low-income and moderate-income families in the state by improving the quality of the water supply and proper sanitation of waste
? Support job creation
? General enhancement of quality of life

Provide for the housing and supportive services needs of homeless individuals and other special needs populations.

Action Steps

- ? Support the acquisition or rehabilitation of facilities to house homeless persons
- ? Provide funds to assist persons at risk for homelessness
- ? Encourage the development of resource directories to assist homeless persons
- ? Increase the amount of services provided to mentally ill homeless
- ? Encourage programs to support children in homeless facilities to receive preventive and emergency medical care as well as other developmental or cognitive services
- ? Provide supportive services and housing-related services for persons diagnosed with HIV/AIDS

Affirmatively further fair housing and assure access to business opportunities in the state for women and minority owned business .

Action Steps

- ? Convene fair housing workshops in the state for local governments, grantees, housing providers, advocates, and citizens.
- ? Provide public service announcements to the media throughout the state informing citizens of their housing rights.
- ? Encourage reporting of fair housing violations by making citizens aware of their rights and providing information on access to fair housing advocates and organizations in the state.

This One-Year Action Plan includes a Listing of Proposed Projects at the end of this section that details each funding category within each of the four HUD programs. By regulation, the State is not required to establish quantitative goals for these projects.

The funding categories shown in the Listing of Proposed Projects are very general but encompass all of the Priorities listed by the state. CDBG will be used to fund Acquisition, Public Facilities, Clearance and Demolition, Relocation, Housing Rehabilitation, and Economic Development. HOME funds will be used to fund Acquisition, New Construction, and Housing Rehabilitation. HOPWA funds will be used to fund Operating Costs of AIDS patients programs, and ESG funds will be used to fund Homeless Facilities and Operating Costs of Homeless programs. Other federal and non-federal funding sources also add to the accomplishment of the goals.

CDBG and HOME Program funds will be used to provide housing rehabilitation in 2001-2002 by preserving the affordable housing stock and revitalizing deteriorated neighborhoods. CDBG funds will be used for Public Facilities projects by installing water and sewer lines in low-income areas, thereby improving the safety and livability of neighborhoods and communities. Economic Development activities will be funded with CDBG to increase access to capital for economic development activities, and increasing the accessibility of jobs.

HOME funds will be used for new construction of both single-family units and multifamily units. Tax credits will be used for other projects that incorporate other federal, local, and private funding sources outside of those administered by the State. The program will address the issue of providing multifamily affordable housing, preserving the affordable housing stock, increasing the supply of supportive housing for persons with special needs, and revitalizing deteriorating neighborhoods and communities.

The HOPWA and ESG programs will fund services for AIDS patients, homeless persons, and persons at risk of becoming homeless. HOPWA provides numerous housing services including counseling, information and referral, resource identification, short terms rent, mortgage, and utility payments, and supportive services relating to health, mental health, permanent housing placement, drug and alcohol abuse treatment and counseling, day care, nutritional services, and assistance in accessing other benefits and services. ESG will fund renovations or expansions of homeless facilities, as well as services relating to homelessness. These activities address priorities related to decent housing and a suitable living environment, helping homeless persons and persons at risk of becoming homeless to obtain appropriate housing, and increasing the supply of supportive housing for persons with special needs.

The Section 8 program provides rental assistance and incorporates the Family Self-Sufficiency program into its operations. Family Self-Sufficiency provides for a five-year plan for Section 8 tenants that helps direct them to the skills, services, and jobs they need to eventually reduce or eliminate the need for public assistance. These activities increase the availability of affordable housing, assisting persons at risk of becoming homeless to obtain appropriate housing, reducing the isolation of persons within an area by increasing access to services, increase the accessibility of jobs and job training.

The THDA Homeownership program provides low interest loans to low- and moderate-income borrowers. This activity increases the availability of affordable housing and makes mortgage financing available at reasonable rates.

GEOGRAPHIC DISTRIBUTION

The programs described in this One-Year Action Plan reach all areas of the State of Tennessee, and specific targeting of HUD funds is to non-entitlement areas. There are, however, some exceptions to statewide distribution. Each program's geographic distribution is explained below:

CDBG

The State CDBG program is competitive for all city and county governments in Tennessee except for those CDBG entitlement cities which receive funding from HUD. State CDBG funds will not be distributed to Bristol, Chattanooga, Clarksville, Jackson, Johnson City, Kingsport, Knoxville, Knox County, Memphis, Shelby County, Murfreesboro, Nashville-Davidson County, and Oak Ridge.

HOME

The State HOME program is competitive within certain categories. As explained in the method of distribution narrative, HOME funds are made available for competition at 33% to urban counties, 52% to rural areas, and 15% to CHDOs. If funds allocated to urban counties are not depleted in the competition, remaining funds are made available to rural areas. In addition, local participating jurisdictions that receive HOME funds directly from HUD are eligible to receive HOME funds only after all other eligible applicants have been funded.

HOPWA

The State HOPWA program allocates funds by region in the state. Providers may apply for those regional funds as part of a competitive application process. The regions cover all counties in the State not covered by the HOPWA entitlements.

ESG

The State ESG program makes funds available to seven CDBG entitlement cities on a formula basis that do not receive direct ESG funding from HUD. The remaining State ESG funds are made available to all non-entitlement local governments and eligible nonprofits on a competitive basis.

OTHER PROGRAMS

The remaining programs, including Section 8, Homeownership, and LIHTC, are all available statewide.

HOMELESS AND OTHER SPECIAL NEEDS ACTIVITIES

There are several activities mentioned in the previous section which address homeless and other special needs activities. The ESG program will provide funds to local governments and nonprofits to renovate, expand, or convert structures for use as homeless shelters. In most cases, these shelters serve as transitional housing for homeless individuals and families due to the services that are also provided. The services offered also help homeless persons make the transition to independent living.

The HOPWA program helps to prevent low income individuals and families affected by HIV/AIDS from becoming homeless by assisting with rent, mortgage, and utility payments. In addition, the HOPWA program addresses the special needs of persons who are not homeless by providing counseling and supportive services including health, mental health, drug and alcohol abuse counseling and treatment, day care, nutritional services, intensive care, and assistance in gaining access to other local, state, and federal benefits and services. HOPWA also provides assistance with permanent housing placement.

Several years ago, the Department of Justice, responding to complaints regarding one of the State's developmental disability centers, began an investigation. The result was the issuance of a court order to down scale the size of these centers, which meant that several residents would be required to find other living accommodations. The State of Tennessee Department of Mental Health and Developmental Disabilities (MHDD), which oversees these centers, realized that finding safe, decent, and affordable housing would be a major problem. MHDD approached THDA for assistance which resulted in the State of Tennessee Rental Assistance Program (STRAP), designed to provide rental assistance to persons who are discharged from the developmental disability centers operated by MHDD. These persons are usually well below 30% of median income category, and MHDD provides the funds for the rental assistance while THDA provides Housing Quality Standards (HQS) inspections. The local service providers for MHDD contact any THDA Field Office to have a tenant placed on the Section 8 waiting list. THDA gives Section 8 preference to these tenants, and when the MHDD tenant's name comes to the top of the waiting list, usual procedures are followed to process the application for Section 8. The MHDD tenant may then "convert" from MHDD rental assistance to Section 8 rental assistance. This program works to prevent homelessness for these individuals.

THDA, in cooperation with MHDD, has initiated a second program to address special needs housing. THDA has reallocated $1,000,000 of HOME funds for housing for the mentally ill. These funds will be used in conjunction with the $1,000,000 set-aside under the 2000 Program and funding from the Department of Mental Health and Developmental Disabilities. The commitment of the reallocated HOME funds is contingent upon the submission of applications that demonstrate a need for the funds and the capability to administer a HOME project. If the reallocated HOME funds are not used for this purpose they will be rolled into the urban/rural round for 2001 HOME program. The funds provide for rehabilitation of existing residences, down payment or closing costs for purchase of new construction or existing property, construction loans, or reserves required by other lending programs.

OTHER ACTIONS

Lead Based Paint The State of Tennessee addresses hazards of lead based paint in the state through the following programs/initiatives:

Childhood Lead Poisoning prevention requires TennCare, the state health system for uninsured persons, to test children enrolled in the program.

EPA and State Lead -Based Paint Abatement Program: Legislation passed in May, 1999 gave the necessary authority to the TN Department of Environment and Conservation (TDEC) to have lead-based paint training in the state. The legislation also gave them the authority to monitor lead abatement in the state to assure that contractors and owners of units are in compliance.

Lead-based paint policies are also in effect for the CDBG and HOME programs in the state. Specifically, grantees must give participants notice of possible lead hazards within the unit when the house is pre-1978, informing them of possible lead dangers.

Grantees must inspect units for families with children under age seven that might have lead contamination, and provide the necessary abatement or encapsulation activity required. Families must be given a federally approved pamphlet on lead poisoning prevention.

The division of solid waste management of TDEC received authorizaton from the Environmental Protection Agency (EPA) on January 17,2001, to administer the program in the state. The state has established guidelines for training of lead-abatement contractors and their workers in the state.

Low Income Housing Tax Credits

The Low-Income Housing Tax Credit (LIHTC) program is administered by THDA. The tax credits are allocated through an application cycle that includes a selection process, determination of credit amounts, reservations, and carry-over allocation. Ten percent of the total state authority is reserved for qualified not-for-profit applicants. The goal of the allocation strategy is to utilize the tax credits allocated to Tennessee to the fullest extent possible to create, maintain, and preserve affordable rental housing for low-income households.

The specific strategy for coordinating the LIHTC program with the development of housing affordable to low- and moderate-income families consists of the following:

1. Develop rental units affordable to households with as low an income as possible and for the longest time period possible.
2. Encourage the construction or rehabilitation of rental units in the areas of Tennessee with the greatest need for affordable housing.
3. Encourage the development of housing or single room occupancy units for special needs populations including homeless, physically challenged, and elderly.
4. Discourage allocation of tax credits to developments for which tax credits are not necessary to create, improve or preserve rental housing for low-income persons.

5. Allocate only the amount of tax credits necessary to make a development financially feasible and to assure its viability as a qualified low –income development throughout the credit period.
6. Encourage not-for-profit entities to develop rental housing for low- and very low-income households.
7. Encourage energy efficient construction and rehabilitation.

Additionally, during the application selection process preference is given to the following types of developments to help meet affordable housing goals:

1. Developments giving preference to local public housing authorities or administrators of Section 8 Certificate Vouchers and give first priority to Section 8 Certificate voucher holders or those on public housing waiting lists in a targeted county.
2. Housing designed for large families, elderly, physically disabled or single room occupancy
3. Extended use restrictions for low-income occupancy beyond 15 years.
4. Requires one of the following:
    - Election to set aside a minimum of twenty percent of the units for households with incomes no higher than 50% of area median income for or
      Election to set aside 40% of the units at 60% of the median for a total of 50 points.

    - Election to set aside 100% of the units at 60% of the median or
      Election to set aside 10% of units at 50% of the median for 25 points.

Public Housing and Resident Initiatives

With the recent passage of the Quality Work Responsibility Act and the requirement of the Public Housing Authorities (PHA) to develop a five-year plan, the relationship between the state and the public housing authorities has become extremely critical. In some cases we continue to search for a delicate balance between the priorities and regulations governing public housing and the affordable housing issues facing the state as a whole, especially lower income residents of the state. Therefore in an effort to support public housing authorities and residents, the state has established priorities for a number of initiatives impacting PHA residents.

The state is currently required to sign off on the Public Housing Authority five-year plan and attempts to support PHAs by streamlining the review process. The state tries to assure that residents have been informed of the impact that such plans have on them. Of special concern are those instances when Public Housing Authorities request to tear down viable public housing units. The state recognizes that in some cases demolition of units is necessary in order to have safe and financially viable public housing. The state, however, does not provide a "rubber stamp" approach to such requests for demolition. In an effort to minimize loss of much needed affordable housing, the state has specified guidelines in place for proposals to demolish or reduce public housing units. These guidelines give public housing authorities flexibility to demolish units in extreme circumstances, but also give the state the needed flexibility to request additional information. A determination can then be made by the state regarding whether the specific request is consistent with the Consolidated Plan. (See Appendix 6 of the 2000-2005 Consolidated Plan)

The state supports the use of drug elimination grants and other initiatives that provide self-sufficiency help to residents, encourage literacy, and provide safe places for children of public housing. The state further supports initiatives that serve the elderly and those with disabilities in public housing. The state does not however, give priority to these populations over other poor families but allows PHAs to assess their community needs when making a request to the state. Statements of need, will of course, require the necessary support documentation.

Affirmatively Furthering Fair Housing

Early in 1996, the State conducted a statewide "analysis of impediments to fair housing choice" and developed a plan to address fair housing issues across the state. In addition, since HUD funds administered by the State are distributed to local governments, the State also decided to provide technical assistance to the local governments to conduct their own analysis of impediments to fair housing and formulate their own fair housing plans. For each year thereafter, different local governments were selected to conduct an Analysis of Impediments. While results overall did not reflect a large number of persons reporting housing discrimination, the state has also looked at additional data to determine possible levels of discrimination and the number of housing cases filed. This information is discussed below as provided by the Tennessee Human Rights Commission for the periods 1997-1998, 1998-1999, and 1999-2000.

Filing Summary By Agency	**1997-98**	**1998-99**	**1999-00**
TN Human Rights Comm.	79	51	96
Dual File (HUD and THRC)	147	125	64
Total Complaints Filed	226	176	160

It is a discriminatory practice for any individual or combination of individuals, or their agents, to directly or indirectly deny housing to any person or to discriminate against any person with respect to terms, conditions, or privileges of housing because of race, age, color, religion, sex, handicap, or familial status. The following information reflects housing cases resolved by issue.

Housing Cases Resolved By Issue

	1997-98	**1998-99**	**1999-00**
Discrimination in the condition of terms of sale, rental occupancy, or in service of facilities	74	56	45
Intimidate, interfere or coerce complainant to keep from the full benefits of the state or federal law	1	2	5
Multiple Issues	27	38	31
Refuse to rent, sell, or deal	4	9	18
Housing Cases Closed/Total	106	104	99

Summary Of Resolutions

Housing Summaries

Total Resolutions	Cases Processed 1998-1999	Cases Processed 1999-2000
Cause Findings	5	5
No Cause findings	86	85
Non Jurisdictional	1	1
Withdrawals	3	3
Mutual Agreements	3	5
Administrative Closure	7	17
TOTAL	**105**	**116**

In order to continue affirmatively furthering fair housing, the State will continue to work with local governments and will provide and encourage educational activities, especially in schools. In addition, the State will request that the Governor proclaim April as Fair Housing Month.

Under the HOME program, local governments are required to ensure that its Equal Opportunity and Fair Housing policies are consistent with their own or this Consolidated Plan. The State's site and neighborhood standards for HOME state that housing provided through the HOME program must promote greater choice of housing opportunities and must be in full compliance with the Fair Housing Act.

The HOPWA program includes, as one of its activities, Housing Information Services, which assists HIV/AIDS individuals and their families with counseling, information, and referral services to locate, acquire, finance, and maintain housing. This includes fair housing counseling for beneficiaries who may encounter discrimination based on race, color, religion, sex, age, national origin, familial status or disability.

The four HUD funded programs (ESG, HOPWA, CDBG, and HOME) will continue to confer regularly to track progress of fair housing initiatives and to collaborate on future projects.

Convene workshop and educational opportunities in the state for local governments, grantees, housing providers, advocates, and citizens.

Provide Public Service Announcements for the media throughout the state in both English and Spanish informing citizens of their fair housing rights.

Encourage reporting of fair housing violations by making citizens aware of their rights and providing information on access to fair housing advocates and organizations in the state.

Barriers to Affordable Housing

The state addresses affordable housing barriers through the following goals:

? Increase the amount of affordable housing stock
? Rehabilitate the current housing stock to maintain affordable and decrease the number of deteriorated units.
? Provide infrastructure improvements to encourage the construction of affordable homes and rehab of existing homes.
? Encourage the preservation of existing affordable housing units
? Use housing subsidies to make housing more affordable to low-income families

Anti-Poverty Strategy

The anti-poverty strategy is designed to examine how both the CDBG and the HOME programs address the needs of individuals in the state with incomes below 30% of the median. While both the HOME program and the CDBG program serve persons up to 80% of the AMI, it is important to note that both programs recognize the special circumstances faced by extremely –low or very-low income individuals and families.

It is imperative that programs in the state pay special attention to the plight of these individuals in the use of funds designed to benefit disadvantaged populations in the state. The state addresses these areas in the following way:

HOME Program: HOME program data for the past five years indicate that 29% of the total households served were below 30% of the median income range, while 40% were in the 30%-50% of median income range. The HOME scoring mechanism awards additional points to applicant communities who serve census tracts that have a higher percentage of persons in poverty. THDA recommends that successful grantees use a formula to assure that those households with the greatest need based on income and family size be served first. To date, grantees in the state continue to use this formula assuring that persons below 30% of the AMI are served first. Additionally, the THDA Board of Directors has expressed concern that extremely low-income persons be served. In addition, as part of the rating system for ranking of qualified applicants,

CDBG: For several years the CDBG program did not separate low-and moderate- income beneficiary data to show participants below 30% of the AMI. That office is now collecting that data on program beneficiaries. Also, as a part of its scoring mechanism for housing rehabilitation, project need points are awarded based on the number of persons with higher poverty levels in the state, specifically persons 62 years of age or above, and/or female heads-of-household, and/or disabled individuals.

In addition to the HOME and CDBG program, the state's anti-poverty strategy is addressed through other initiatives in the state, such as Workforce Development/Investment which involves a consortium of agencies in the state working together to assist persons in poverty find employment. Family Self Sufficiency Programs, Welfare to Work, and the Temporary Assistance for Needy Families (TANF) programs provide child care, help with transportation, as well as a number of other services to assist poor families in finding and maintaining employment.

Coordination of Public and Private Housing and Social Service Agencies

The four HUD programs applied for with this One-Year Action Plan are carried out by entities other than the State. Funds are awarded by the State to these entities, which include local governments and nonprofit organizations, who conduct the actual activities. Of the other federal and non-federal resources discussed in this plan, Section 8 is the only program directly administered in its entirety by the State. The Low-Income Housing Tax Credit program is awarded to other entities, and the Homeownership program is carried out by local lenders. Coordination with social service agencies occurs primarily at the local level with the exception of the Section 8 program. THDA, who administers Section 8, works very closely with other State agencies including the State Department of Human Services, the State Department of Health, and the Department of Mental Health and Developmental Disabilities. This coordinated effort is expected to continue.

The State will continue to support applications from other entities for HUD program funds for both formula/entitlement programs and competitive programs. (See Support of Applications for Other Entities Report.)

Funding Source	Support Application by Other Entities?
A. Formula/Entitlement Programs	
ESG	Y
Public Housing Comprehensive Grant	Y
B. Competitive Programs	
HOPE 1	Y
HOPE 2	Y
HOPE 3	Y
ESG	Y
Supportive Housing	Y
HOPWA	Y
Safe Havens	Y
Rural Homeless Housing	Y
Sec. 202 Elderly	Y
Sec. 811 Handicapped	Y
Moderate Rehab SRO	Y
Rental Vouchers	Y
Rental Certificates	Y
Public Housing Development	Y
Public Housing MROP	Y
Public Housing CIAP	Y
LIHTC	Y